

**The Impact of National and Cultural Context on Collaboration across  
Borders in Multinational Enterprises. A Case Study of Glamox' Headquar-  
ters in Norway and Glamox HE AS in Estonia.**

Kaarina Ritson  
University of Oslo/University of Oslo  
Globalisation, Innovation and Policy  
2000/2002

21254 Words

## Abstract

This paper draws on the assumption that there may be major differences between norms and values of managers in different countries as a result of their national and cultural backgrounds. One would therefore expect tensions to appear in a co-operation situation between an ex-Soviet country such as Estonia and a capitalist country such as Norway. Drawing on an empirical study of the Norwegian light-fitting producer Glamox and its Estonian subsidiary, this master thesis serves two functions. Using Hofstede's cultural dimensions as a theoretical framework, the thesis will illuminate the relationship between cultural and national factors and management practices and working methods in firms. The thesis also includes a discussion of how findings on micro and macro levels affect the collaboration between the headquarters and the subsidiary in the Glamox' case. In addition to the pressures from the local environment, subsidiaries face pressures in terms of consistency within the organisation. Managing cross-cultural differences in such a case is crucial, as it may influence the success or failure of a collaboration project.

*Keywords: Estonia, Norway, Hofstede's cultural dimensions, cross-cultural business cooperation, cross-national management*

# Table of contents

<b>ABSTRACT .....</b>	<b>1</b>
<b>TABLE OF CONTENTS .....</b>	<b>3</b>
<b>CHAPTER 1 – INTRODUCTION .....</b>	<b>5</b>
1.1 The Focus of the Research .....	5
1.2 Estonia and Norway: A Brief Overview .....	6
1.3 Theoretical Framework and Research Questions.....	9
1.4 Methodology and Outline of the Thesis .....	11
<b>CHAPTER 2 - THE CONTEXT OF A FIRM .....</b>	<b>14</b>
2.1 The Societal Level .....	15
2.1.1 The Concept of Culture .....	15
2.1.2 Hofstede's Cultural Dimensions .....	18
2.2 The National Level.....	21
2.3 The Organisational Level.....	22
2.4 The Operating Level.....	23
<b>CHAPTER 3 - MNE: AN ACTOR OPERATING CROSS-NATIONALLY .....</b>	<b>25</b>
3.1 Standardisation versus Local Tailoring of Organisation in MNEs.....	26
3.2 Pressures a Subsidiary Faces from its Headquarters.....	28
3.3 Variables that Affect Subsidiary Structure and Processes .....	29
<b>CHAPTER 4 - ESTONIA AND NORWAY AS BUSINESS LOCATIONS .....</b>	<b>30</b>
4.1 National Level Influences in Norway and Estonia.....	30
4.2 Norwegian versus Estonian Culture.....	34
4.2.1 The Individualism and Power Distance Index in Estonia and Norway .....	36
<b>CHAPTER 5 – THE GLAMOX CASE: THE FINDINGS AND THE MICRO LEVEL</b>	

<b>DISCOURSE.....</b>	<b>39</b>
<b>5.1 Background of Glamox and Glamox HE.....</b>	<b>40</b>
<b>5.2 Reasons for Collaboration.....</b>	<b>42</b>
<b>5.3 Pressures on Glamox HE from the Headquarters .....</b>	<b>44</b>
<b>5.4 Recruitment Practices .....</b>	<b>47</b>
<b>5.5 Competence and the Educational Level.....</b>	<b>49</b>
<b>5.6 The Cultural Context of Glamox' Collaboration.....</b>	<b>50</b>
<b>5.7 Management and Decision-Making Style .....</b>	<b>54</b>
<b>5.8 Teamwork and Meetings.....</b>	<b>59</b>
<b>5.9 Organisational Culture.....</b>	<b>62</b>
<b>5.10 Transfer of Technology and Knowledge.....</b>	<b>64</b>
<b>5.11 Problems and Points of Friction .....</b>	<b>68</b>
<b>CHAPTER 6 – CONCLUSIONS .....</b>	<b>70</b>

# CHAPTER 1 – INTRODUCTION

## ***1.1 The Focus of the Research***

In this study, I will discuss how the national and cultural background of managers shape their norms and values, and consequently, the management practices, and working methods in firms. MNEs play an increasingly important role in the global world, and subsidiaries of MNEs are interesting objects of study in the field of organisational theory as the home country, the international world of business and finance as well as the local cultural- and professional contexts influence, affect, and motivate their work. The structure of subsidiaries and management and decision-making styles in a MNE are thus restricted and influenced by the cultural and national backgrounds of managers and entrepreneurs, by global development, and by local contexts.

Empirically, the thesis draws on a case study of the Norwegian light-fitting producer Glamox and its wholly owned subsidiary Glamox HE in Estonia. My main focus will be on the Estonian subsidiary, since analyses of Norwegian management style and working methods have already been discussed in a number of studies of Western-European business culture. Being cut off from the West during five decades of Soviet occupation, Estonia is a relatively "new" business nation, and not much is known about Estonian management styles, working methods, or cultural backgrounds. The empirical data have been collected through in-depth interviews with nine top and middle managers in Glamox and Glamox HE, and one retired Chief Executive Officer, in June - July 2001.

## **1.2 Estonia and Norway: A Brief Overview**

The thesis will describe Norwegian-Estonian business collaboration in 2001, ten years after Estonia regained independence. This was a time when Estonia was "*returning to Europe*" after more than 50 years of Soviet occupation, and was negotiating with both the European Union and NATO. It was also a time when Scandinavian businesses were expanding into Estonian markets. Scandinavian companies, especially from Finland and Sweden, have played a leading role in making direct investments in the Baltic countries after the Baltic independence in 1991. According to the Estonian Ministry of Foreign Affairs, Norway was the fifth largest direct foreign investor in Estonia, in 2000. At the end of 2000, there were 20 fully owned Norwegian firms in Estonia, and 40 firms with Norwegian shareholders (Estonia's Official State Web Centre). Due to its geographical location, Estonia has served as a link between Eastern and Western Europe for centuries. The Estonian capital, Tallinn, was an important town in the Hanseatic League in the 13th and 14th century, and served as a northern Hansa port. Today, Estonia is rapidly regaining its position as an important transit country for trade between Russia and Western Europe.

Being a small country (45 227 sq. km, population 1.4 million), strategically located on the coast of the Baltic Sea between Russia and Western Europe, Estonia has almost always been ruled by larger surrounding powers. Germans started to populate the Baltic area in the beginning of the 1200s. From 1219 to 1346, Estonia was part of Denmark, and after the Danish period Estonia came under the rule of the German Order. In 1645 the country was forced under the rule of the Swedes, and it was taken over by Russians in 1710. The first period of independence in Estonia occurred from 1918 to 1940. World War II brought this short period of independence to an end, and from 1940 to 1991 Estonia was occupied by the Soviet Union (Eesti Entsüklopeediakirjastus 2001). This meant

strong ideological control by the state, mass deportations of Estonians to Siberia, and mass immigration to Estonia from other parts of the Soviet Union. As a result, Estonia today has a Russian-speaking minority that constitutes around one-third of the country's population.<sup>1</sup> Compared to other former Soviet republics, the Baltic countries held a favourable economic position during the occupation period (Lauristin et al 1997:73). Partly because of the relatively good economy, and partly because of their greater openness to cultural influences from Western and Northern Europe (ibid: 76), the Baltic republics were considered the "Soviet West" in the Soviet Union (ibid: 35). Nevertheless, many of Estonia's ties with Western European countries were broken during the Soviet occupation.

As a result of political changes in the Soviet Union and Central and Eastern Europe in the 1980s, Estonia regained its independence on August 20, 1991. Since 1918 Estonia has been independent for about 30 years. Trying to open the window of opportunity after a long period of isolation, the Estonian government chose the path of maximum liberalisation. Compared to other countries in the former Soviet Republics, Estonia has rapidly and successfully carried out and implemented economic reforms. In less than one year, a new Parliament was elected, a new democratic constitution adopted, and a monetary reform implemented (OECD 1996). Since 1992, Estonia has been ruled by business-friendly centre-right governments and has largely adhered to a free market philosophy. Estonia has a stable monetary system, the Estonian kroon is pegged to the euro, Estonian salaries are low, and the work force is skilled and well educated (Statistical Office of Estonia). Foreign

---

<sup>1</sup>The culture of the Russian-speaking minority will not be discussed in this thesis, as all the key persons in the Estonian subsidiary at the time of the fieldwork were Estonians. I do not regard the culture and collective identity of the Russian minority as a possible explanation to the research question.

businesses have been attracted by the country's economic growth, the potential of new markets, low production costs, and a favourable investment climate. Foreign investments in Estonia have grown rapidly since 1991, reaching one of the highest levels in Eastern Europe. In 2000, Estonia held the second place for direct investments per capita in Central and Eastern Europe, after the Czech republic (UNCTAD). To mark its wish to be part of the West, Estonia has started membership negotiations with the European Union and NATO. In November 2001, the European Commission reported that Estonia could be ready to join the EU by 2004.

Comparing Estonia to Norway, we see a number of differences but also some similarities. Norway, with an area of 323, 760 sq. km, and a population of 4.5 million, is also a small country in the outskirts of Europe. Similarly to Estonia, Norway has borders with Sweden, Finland and Russia, and has been under foreign rule for centuries. From 1536 to 1814, Norway was an integral part of the Danish realm. In 1814, it was forced into a union with Sweden. Norway gained independence in 1905. Since 1905, only the German occupation from 1940 to 1945 has interrupted Norway's sovereignty (Eesti Entsüklopeediakirjastus 2001). Despite long-lasting foreign rule and immigration from foreign countries in recent years, Norway still maintains a high degree of cultural homogeneity.

As far back as in the Viking times, Norway has depended heavily on its economic relations with foreign countries. In modern times, Norway has emerged as an important maritime transporter and one of the world's leaders in shipbuilding. After the discovery of oil deposits in the North Sea at the end of the 1960s, Norway has become one of the richest countries in the world. The country's new-won wealth is often offered as an explanation as to why Norway, as one of the few Western-European countries, has chosen to stay out of the European Union (ibid.). Norway has a tradition of



high governmental spending, protection of national industries and commerce, and subsidies to the farming industry. An extensive welfare system takes care of the needs of the citizens

### **1.3 Theoretical Framework and Research Questions**

With the Glamox case as my empirical base, I will discuss how the national and cultural background of managers shapes their norms and values, and consequently, the management practices, and working methods in firms. In order to fully understand organisational behaviour, it is necessary to consider the societal and cultural background of the members of an organisation. As a major determinant of organisational culture, national cultures influence people's way of doing business. Culture is a concept with several definitions, interpretations, and connotations, and can be studied at different levels. In general terms it can be defined as the "*human-made part of the environment*", consisting of objective and subjective culture (Herskovits & Triandis, in Triandis 1994:16). According to an alternative definition, culture is the "'*mental programming*' of people, i.e. patterns of feeling, thinking and acting, and their sources within the social environments in which they have grown up and collected their life's experiences" (Hofstede 1991:4). Geert Hofstede (1980) has studied the values of people working for IBM in over 50 countries around the world. He defines four dimensions of national cultural differences that correspond to basic problem areas and can be used to analyse the work of organisations (see below). These cultural dimensions show that an individual's behaviour in an organisation is connected to and affected by the surrounding society.

Culture can be studied on different levels, and in the present analysis I will deal with both macro and micro levels. To be able to explain possible micro-level differences between the headquarters and the subsidiary, I will explore the macro level of historical, societal, and cultural factors in Nor-

way and Estonia. The strong ideological control of individuals by the state during the Soviet occupation and the communist system has influenced Estonians' 'mental programming', their ideas of society, and their work routines in many ways. Similarly, Estonia's extensive historic contacts with Germany, Scandinavia, and Russia play a significant role in modern Estonians' sense of identity. Estonia's Soviet past, the free market philosophy, and the aim of joining the EU are in stark contrast with Norway, which is a country with long capitalist traditions, and simultaneously, extensive governmental control of the country's economy. Issues related to the preservation of Norwegian identity and culture, have dominated the Norwegian EU debate, and Norwegians have twice voted against EU membership. Considering the cultural and historical differences between Norway and Estonia, one would expect to find micro-level differences between the two countries. The empirical findings of my fieldwork reveal tensions and discrepancies rooted in different values and beliefs among Norwegians and Estonians. On the organisational level, these discrepancies manifest themselves in management practices and working methods.

With the Glamox case as a point of departure, my research goal is as follows:

*•To explain, through an analysis of the developments on societal, national, organisational, and operational levels, the points of friction and /or ease of collaboration in a MNE.*

More precisely, I will try to identify and explain:

*•Differences in management practices and working methods in firms in Estonia and Norway, through an analysis of cultural and national factors;*

*•Points of friction or ease in cross-national collaboration within the Glamox Group, through an analysis of macro-level contra micro-level factors.*

## ***1.4 Methodology and Outline of the Thesis***

I have studied literature from the fields of organisational theory, cross-national management, social psychology, and examined an empirical case. By studying the Glamox' case I seek to discover whether an analysis of the historical, societal, and cultural background of a country can explain micro-level preferences in a firm. As I am studying a subsidiary of a multinational enterprise, pressures from the headquarters are viewed as a co-factor shaping the subsidiary's behaviour. When studying the cultural background of an organisation, a researcher has to deal with implicit shared values and beliefs of the members of the organisation. Because of the nature of these issues, qualitative inquiry dominates my case study.

My choice of examining a case in order to shed light on the theory mentioned above makes it necessary to address some general issues about case studies. A single case is not necessarily representative of the entire cooperation situation between Norwegian and Estonian business partners. By taking into account national and societal contexts in my discussion of micro-level differences in Glamox, I hope to increase the credibility of my claim that the Norwegian headquarters and the Estonian subsidiary are representative of the societies of which they are a part. Nevertheless, my study shows that there is variation between sub-national regions. Glamox' parent company's functions are divided between Oslo and Molde, and as the interviews reveal, there are noticeable differences between these two locations in terms of organisational culture. Likewise, it could be argued that Glamox HE is representative for the small North-Estonian town Keila, and not the whole of Estonia. However, I have chosen not to go into details about this issue and to assume that both the

headquarters and the subsidiary are representative of the main issues in a Norwegian-Estonian co-operation situation.

During the collection of my data I was told much more than I am able to report in the thesis. I have narrowed down the range of the issues I planned to investigate at the initial stages of my study. On the one hand the researcher has to manage the large amount of information she is confronted with; on the other hand she has to avoid personal interpretations of events and relationships. Because of my Estonian nationality, it has been difficult to maintain complete objectivity towards the findings. As I have chosen which managers to talk to and how to formulate the questions, I have in some respects shaped the Glamox' story.

Pragmatic considerations played a major role when I chose my case. Because of my Estonian background, I knew the Estonian society, as well as the cultural context for making business well. My knowledge of both Norwegian and Estonian languages made access to written sources and informants easier. I have previously worked and cooperated with both Estonians and Norwegians professionally, and I am familiar with the existence of different preferences and practices in working methods, organisational set-up etc. I found this issue worth an in-depth study.

I started to look for an appropriate company in winter/early spring 2001. In March, the former Norwegian ambassador to Estonia, Kai Olaf Lie, suggested a study of the Norwegian light-fitting producer, Glamox, and their Estonian subsidiary. He knew the Glamox Estonian unit manager, had met some of the Norwegian Glamox managers, and believed that their experiences and observations would be highly relevant for my study. Inspired by this, I contacted Jaan Allem, the Estonian unit manager, and presented my plans. He found the subject of my study interesting and kindly

promised to put me in touch with relevant persons in the Glamox headquarters. Finally, I got in touch with the Glamox Human Resource Director, Karstein Fauskanger, who helped arrange the interviews. I interviewed four Glamox managers who had more or less frequent contacts with the Estonian subsidiary, four in Molde and one in Oslo. In addition, I interviewed a retired Glamox' CEO. The retired CEO was an important source of information, as he was working for Glamox when the company started their co-operation with Estonia. As the majority of my Norwegian informants worked in Molde, the findings related to Glamox in Norway predominantly reflect the situation as seen from the Molde office. All these interviews were conducted in Norwegian. Interviews with three managers from Glamox HE, and one member of Glamox HE's supervisory board, who was also the chairman of the supervisory board of its parent company, Harju Elekter, were conducted in Estonia, in Estonian. All informants were Norwegian or Estonian men. The interviews that were conducted in June-July of 2001, lasted around 1-2 hours, and were recorded and later transcribed. In order to protect the confidentiality of the identity of the parties involved, the names of the managers interviewed will not be disclosed here. To refer to the person interviewed, I will mainly use the terms 'Norwegian manager' and 'Estonian manager'.

The thesis is organised as follows. In Chapter 2 the context of the firm, including societal, national, corporate, and operative levels, is described, and some of the main contributions to the literature in the fields of social psychology, cross-cultural management, and organisational theory are presented. Chapter 3 introduces some general issues related to the MNE as an actor operating across cultures, and more specifically illuminates the situation of MNE subsidiaries that face pressures both from the local environment and in terms of consistency within the organisation. In Chapter 4, an empirical introduction to Estonia and Norway as business locations is given, focusing on national and societal levels. In Chapter 5, the key findings of the Glamox case are presented. This chapter serves

two functions. First, I will discuss macro-level findings against general micro-level findings in Estonia and Norway, and simultaneously, against findings from the Glamox case specifically. Management and decision-making styles, and working methods in Norway and Estonia, as well as in the Norwegian headquarters and the Estonian subsidiary, are compared, and related to the findings on the macro level. Secondly, I will consider the extent to which the findings on the micro- and macro-levels have facilitated our understanding of the collaboration between the headquarters and the subsidiary in the Glamox Group. As a means of accomplishing this objective, I have included the issues of competence and educational level, organisational culture, and some central issues in Glamox' collaboration in the discussion. In Chapter 6, the main conclusions from the study will be presented.

## **CHAPTER 2 - THE CONTEXT OF A FIRM**

Firms are social institutions that vary along several dimensions. It is impossible to understand a firm's behaviour without understanding the background that has provided the managers and employees with a certain culture. MNEs bring together people with different patterns of behaving and believing, and different ways of interpreting the world. Parkhe (Buckley and Ghauri 1999:261) claims that in order to understand a firm's behaviour one should consider the managers' societal (*meta*), national (*macro*), corporate-level (*meso*), and operating-level (*micro*) influences. In the present thesis, I have chosen to adapt these levels to my analysis, and address societal and national institutions and influences as macro level, and corporate- and operating-level influences as micro level.

## **2.1 The Societal Level**

When habits and routines become general to groups of people, they give rise to different kinds of social regularities in behaviour, such as norms, customs, traditions, rules, and laws. They may be formal and explicit, or informal and implicit. These regularities of behaviour are specific to time and place, and exist in all societies (Lundvall, 1992). Their common feature is that they regulate how individuals and collective groups relate to each other, and facilitate knowledge transfer from one generation to the next (ibid.).

### **2.1.1 The Concept of Culture**

Social regularities of behaviour are determined by people's way of thinking. In Hofstede's works (Hofstede, 1991:4), '*mental programming*' serves as a definition of culture. Different patterns of thinking, feeling, and acting, which are learned throughout people's lifetime, are all manifestations of '*mental programming*'. Sources of mental programming lie within the social environment surrounding the person. Lundvall's habits and routines that facilitate knowledge transfer between generations are close to Hofstede's '*culture*'. In some sense, culture is to society what memory is to individuals (Kluckhorn in Triandis 1994:15). An alternative definition of culture (Herskovits & Triandis, in Triandis 1994:16) is that culture is the '*human-made part of the environment*'. This allows us to distinguish objective culture (chairs, tools, jet planes), and subjective culture (categories, norms, roles, and values). Norms are ideas about what should be done in a social situation that reflect behaviours that have worked well in the past and assure us that they will work again in the future (Triandis 1994:15). Values sensitise humans to aspects of the environment to which they should pay attention and to goals they should reach for (ibid.). Norms and values are often implicit

and govern an individual's relationship to society. They may be so ingrained that we take them for granted, and they may vary from society to society. Whereas Hofstede's definition of culture refers to peoples' behaviour as determined by the society they live in, the latter definition focuses on the subjective aspect of culture. Peoples' ideas about right and wrong are "*human-made*", as they reflect values held in their immediate environment.

Implicit shared norms, values, and modes of interpretation that make intelligent communication possible, are considered by Lam as cognitive dimensions of tacit knowledge (Lam, 1998). It is common to distinguish between tacit and codified knowledge. *Codified knowledge* can be described as something formal and systematic, which may be expressed in words and numbers, and is easy to communicate and share. At the same time, knowledge can be context-dependent as it often contains a significant tacit component in addition to a codified one. Michael Polanyi introduced the concept of *tacit knowledge* and pointed out that "...we can know more than we can tell" (ibid.). The more tacit the knowledge is, the more difficult it is to share explicitly. One reason is that knowledge is being accumulated over time, and a number of values and norms may remain tacit to some and explicit to others, depending on the person's ability to interpret them.

Considering culture either as "*mental programming*" or "*human-made part of the environment*" in form of categories, norms, roles, and values, culture applies more to societies than to nations. This is partly a result of the short history of the invention of 'nations', and partly of the low degree of internal homogeneity within nations (Hofstede 1991, Triandis 1994). But as national data is often the only information available about a sample -as is the case with this thesis-, it is convenient to use the nation label.



Since it is common to consider values and norms as characteristic to certain societies, it is easy to oversimplify the issue. For example, until recently it has been common to describe societies as either individualist or collectivist. Later studies have shown that collectivism and individualism coexist in all societies. However, this categorisation of societies raises the issue whether individuals within a given society may deviate substantially in their personal values from the values generally associated with their culture (Schwarz in Earley 1998:4). Still, it is generally assumed that there are certain dominant cultural patterns in societies that provide a sufficient basis for comparative cultural studies.

Although culture normally serves as the collective memory of a society, it may in certain situations be necessary for younger generations to generate new patterns of thinking and acting. The development of technology or specific historical events can serve as examples of factors that can lead to differences between generations in terms of symbols, heroes, and values (Hofstede 1991:10). To cope with social change, it may be necessary to “forget” existing cultural patterns. The process of replacing out-of-date patterns of thinking and acting with new ones can be viewed as learning. Forgetting is an essential and integrated part of all learning processes. In firms operating in the field of technology for example, old habits of thought, routines, and patterns of co-operation, within as well as between firms, have to be changed before technical change can begin to move ahead in new directions. It can be difficult to shut down activities and forget knowledge into which time, effort, and prestige have been invested (Lundvall 1992). According to Hofstede (1991), many patterns of thinking and feeling are learned in early childhood, and have to be unlearned before it is possible to learn something new. Unlearning is considered more difficult than learning for the first time.

As most of us belong to a number of different groups and categories at the same time, we unavoidably carry several layers of mental programming within ourselves, corresponding to different levels of culture. For example (as mentioned above), there are national, regional and/or ethnic, generational, organisational, corporate, and other levels of cultural organisation (Hofstede 1991:17). In an age when boundaries between countries, nationalities, and cultures are in certain respects becoming eradicated (Hylland Eriksen 1996b), the global level should also be taken into account. The different levels of culture sometimes conflict with each other. In a MNE one can assume that the employees' mental programs on the national and organisational levels may sometimes be in disagreement.

### **2.1.2 Hofstede's Cultural Dimensions**

In addition to layers of culture, which people have to cope with simultaneously, Hofstede points out a number of “dimensions” that allow us to compare different cultures. A dimension is an aspect of a culture that can be measured relative to other cultures (Hofstede 1991:14). Hofstede (1980) studied the values of people working for IBM in over 50 countries around the world, and found significant correlations between geography and value patterns. He described four dimensions of national cultural differences that correspond to basic problem areas and can be applied to working organisations. These dimensions are power distance, individualism versus collectivism, uncertainty avoidance, and masculinity versus femininity. The dimensions serve as frame concepts indicating the main directions, and are too general to be used as an integral pattern of dimensions characteristic for a certain culture.

*Individualism* versus its opposite, *collectivism* is the degree to which individuals are integrated into groups (Hofstede 1991:51). The individualism versus collectivism dimension refers to the social connectedness among individuals (Earley 1998:1), and is often considered the most significant difference (Triandis 1994:4). Individualism, on the one hand, applies to societies in which the ties between individuals are loose and everybody is supposed to only look after herself and her parents, children, and husband. Collectivism, on the other hand, applies to societies in which “*people from birth and onwards are integrated into strong, cohesive groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty*” (Hofstede 1991:51). At the work place in collectivist societies relationship prevails over task while in individualist societies, task prevails over relationship (ibid.67). In individualist countries, management is management of individuals whereas in collectivist societies, it is management of groups (ibid. 65). The collectivism-individualism dimension is also assumed to have implications for preferences of working methods, e.g. teamwork (Earley 1998:12). Leadership styles and practices also tend to differ in societies with different degrees of individualism and collectivism. For collectivists leadership consists of both direction and participation, whereas individualists respond less favourably to authoritarian leadership (Earley 1998:13).

The domination of individualistic orientation is considered the main cultural feature of modern Western civilisation, whereas collectivist orientation is considered more characteristic to traditional societies (e.g., Hofstede, Triandis). According to studies, individualism exists in developed and Western countries, while collectivism prevails in less developed Eastern countries. The rate of individualism is supposed to increase correspondingly with the rate of the welfare of the state as it increases people's options and independence. However, extreme economic deprivation is also associated with individualism (Scheper-Hughes in Triandis 1994:165). In addition, migrations, social

mobility, and urban residence increase individualism (Triandis, *ibid.*). Highly homogenous societies are more likely to be collectivist since they share a common heritage and background, and therefore operate as an "*extended family*" (Earley 1998:7). Hofstede's landmark study of 1980 addressed individualism and collectivism as two opposite poles. Later studies in this field, however, have concluded that both individualism and collectivism operate in all societies and that it gives more sense to speak about individualism and collectivism than individualism *versus* collectivism (Triandis 1994, Earley 1998). There are also debates about the forms and types of individualism-collectivism. Researchers seem to agree that one person or a group of people may be very collectivist in one specific situation but not so collectivist in regard to some other social target (Realo & Allik 1999:134).

Hofstede's study reveals a correlation between the individualism-collectivism and power distance (PDI) factors, indicating that collectivism is associated with larger PDI and individualism with lower PDI. *Power distance* (small versus large) is the "*extent to which the less powerful members of organisations and institutions within a country expect and accept that power is distributed unequally*". 'Institutions' refer here to the family, school, and the community, 'and organisations' to the places where people work (Hofstede 1991:28). In other words, people in high power distance cultures are more comfortable with a larger status difference. As Hofstede believes that much of the mental programming is acquired in early childhood (*ibid.*: 4), he considers power distance to have its roots in the family (*ibid.*: 32). There are a number of key differences between small and large power distance societies, and I will here confine myself to list up some differences between these at the work place. In societies with small power distance, subordinates and superiors consider each other as existentially equal; and the hierarchical system is just an inequality of roles, established for the convenience. Organisations are fairly decentralised, with flat hierarchical pyramids, and subor-

ordinates expect to be consulted before a decision is made that affects their work. The ideal boss is described as a resourceful democrat. In societies with large power distance, superiors and subordinates consider each other as existentially unequal; subordinates expect to be told what to do; and power is centralised in a few hands (ibid: 35). In countries with a high average educational level the PDI is usually lower. The PDI rate is supposed to decrease with the rate of welfare of people.

The *uncertainty avoidance* dimension indicates how comfortable people feel in situations with ambiguity. People in countries with low uncertainty avoidance index feel generally more comfortable in situations with the unknown, and are more willing to take risks than people in countries with a high rate of uncertainty avoidance. The *masculinity versus femininity* dimension refers to the distribution of roles between the sexes. Some studies have revealed that women's values differ less among societies than men's values, and that men's values, from country to country, vary from very assertive and competitive to modest and caring. I will mainly concentrate on the first two dimensions in this thesis.

## **2.2 The National Level**

In addition to the influences on the societal level, firms face various pressures on the national level. A company's national context includes primary surrounding industry structure and institutions, and government laws and institutions (Parkhe in Buckley and Ghauri 1999:263). In addition, national environments can be distinguished in terms of stability versus instability, technology, and culture (Rosenzweig & Singh in Root et al. 1992:142). Governmental policies play an important role as they can develop immobile assets that foreign companies find attractive, and make direct investments in the country. They can provide the favourable general economic climate: export orienta-

tion, and basic and vocal education with emphasis on industrial needs. They can also contribute to a stable economy with low inflation and high savings.

There are thus great differences in the national contexts of firms. We should consider the phenomenon of isomorphism when studying why an organisation in a particular environment has a certain organisational and/or decision-making structure. According to institutional theory, organisations are social as well as technical phenomena. Institutional theory focuses on 'isomorphism', and argues that organisations adopt structures and processes, which exist in other organisations in the surrounding environment (Westney 1993: 53-54). Institutional theory emphasises the reinforcing role played by the environment, and particularly the relationships between organisations (ibid: 59). DiMaggio and Powell (in Westney 1993:55) propose three categories of isomorphism: *coercive* isomorphism, where organisational patterns are imposed on organisations by a more powerful authority, usually the state; *normative* isomorphism, where organisational patterns are championed by professional organisations; and *mimetic* isomorphism, where organisations respond to uncertainty by adopting the patterns of other organisations defined as 'successful' in that kind of environment.

### ***2.3 The Organisational Level***

Norms and values do not only vary between societies and individuals, but also between collectives within a country. Most companies have a set of implicit shared values and norms, and certain ways of doing things. During the last two decades, attributing a distinct culture to a company or organisation has become popular in the management literature. Studies done in the field of organisational culture indicate that organisational cultures, although more superficial than national cultures, in many cases reflect national culture differences. In many cases, *organisational culture* is used as a

synonym to *corporate culture*, *management culture*, and *organisational climate*. Some authors use organisational culture for the whole firm while corporate culture usually represents smaller entities of the firm. Schein (in Sweeney & Hardaker 1994:4) provides a broad definition of organisational culture, defining it as *"the deeper level of basic assumptions and beliefs that are shared by members of the organisation that operate unconsciously, and that define in a 'taken for granted' fashion and organisation's view of itself and its environment"*. Although organisational culture is 'mental programming' in the same ways as societal culture, it differs from the latter as it (usually) is voluntary and people are involved in it only during their working hours (Hofstede 1991:18). But, as already mentioned above, the strength and the intensity of the impact of culture might vary from person to person and from group to group within as well as between an organisation (Martin and Siehl in Sweeney and Hardaker 1994:4).

## **2.4 The Operating Level**

A firm's organisational structure plays an important role as it defines the firm's formal decision-making channels and allocates responsibility and authority. To describe organisational characteristics, Bartlett and Ghoshal (1991:201) use a biological analogy. They define formal structure as an organisation's basic anatomy, systems and information flows as its physiology, and culture and values as its psychology. Similarly to Hofstede's definition of culture where values make up the innermost layer, they are here at the core of the organisations, shaping the organisational structure and working methods. The norms, values, and behaviours of managers are permeated by the influence of a society's culture (Parkhe in Buckley and Ghauri 1999:261).

The wide inter-firm diversity in management styles, organisational structures, and other operational-level variables that exist between firms from different parts of the world can largely be traced to diversity along the social, national, and organisational dimensions (Parkhe in Buckley and Ghauri 1999:267). It is assumed that working practices can be adjusted in order to better fit the cultural context (Erez & Earley in Earley, 1998:8). Management style can vary from participatory to authoritarian, delegation of responsibility from high to low, decision-making from centralised to decentralised, and reliance on formal planning and control systems from high to low (Parkhe in Buckley & Ghauri 1999:267). New organisational models that have emerged in recent years share the characteristics of being flatter than their hierarchical predecessors, and tend to have a dynamic rather than static structure (Nonaka & Takeuchi 1995:162). It is assumed that different models require a certain culture, traditions in management style etc., and are useful in certain situations but not in others (ibid.).

In addition to company's formal organisational structure and management style, there are a number of other, both formal and informal, tools that allow managers to regulate the work of an organisation. The use of these working methods is also culture-dependent. These working methods may include project teams, international transfer of personnel, meetings, and social arrangements. The importance of such micro structural tools should not be underestimated. One micro structural tool, teamwork, allows the sharing of new knowledge through dialogue, discussion, and exchange of experiences (Nonaka & Takeuchi, 1995:13). The popularity of team as a working method varies from country to country, even though team-work is considered a powerful tool in business organisations and is assumed to help individuals act autonomously (ibid: 1995:76). Recent research has established a connection between the level of individualism-collectivism among employees on the one hand, and preferences for certain practices or modes of working on the other hand (Earley



1998:8). Organisation is based on collaboration, and it is crucial whether individual or group interests dominate in the particular culture. Much of the research shows that collectivists are generally more co-operative than individualists, and that individualists work better alone than in groups (ibid: 12), which indicates that groups are more effective in collectivist countries than in individualist ones.

## **CHAPTER 3 - MNE: AN ACTOR OPERATING CROSS-NATIONALLY**

According to the World Investment Report 2001, the total outward foreign direct investment (FDI) per annum and the inward FDI corresponding to it have grown strongly in the past two decades. As a result, the importance of multinational enterprises (MNE) as actors in the global world is increasing. The organisational landscape is increasingly populated by MNEs that own and control activities in more than one country (Rosenzweig & Singh in Root et al. 1992:141). The growth of FDI has been accompanied by changes in its geographical pattern, and new locations are becoming attractive relative to old ones. Although Japan, the European Union, and the United States continued to attract over three-quarters of global FDI inflows in 2000, FDI inflows into Central and Eastern Europe increased to a new record level, maintaining its share of about 2 per cent in terms of world inflows (UNCTAD 2001).

Facing dual pressures, subsidiaries of MNEs are interesting objects of study in the fields of economics, strategic management, and organisational theory. On the one hand they are pulled to achieve isomorphism with the local institutional environment, and on the other hand they face an imperative for consistency within the organisation. Cultural and societal factors are crucial as they

shape the models of organisations in people's minds. These models differ from country to country. Finally, global factors also play a role for organisations, as organisational patterns within a country or across national borders sometimes have very little in common. This shows that firms are highly influenced by what is happening beyond the national borders. But, still, there are several kinds of institutional differences between nations, which are believed to matter in relation to organisational structure and working methods. National cultures, national ideologies, and national governments are some of the most important differences.

The MNE organisation must be able to carry a great deal of complex information to diverse locations in its integrated network of operations. The interdependence and co-ordination across MNE subsidiaries is growing, and this makes the loose coupling, which has hitherto characterised many MNEs, become less feasible. It has therefore become more difficult for them to vary their subsidiary structures to be isomorphic with local environments (Westney 1993:61).

### ***3.1 Standardisation versus Local Tailoring of Organisation in MNEs***

In the literature on management of MNEs, it is discussed to which extent the MNEs should adopt local patterns in their subsidiaries. Institutional theory gives prominence to the legal and cultural factors that organisations face (Rosenzweig et al. in Root et al. 1992:143). Westney (1993:66-67) distinguishes between two approaches of this issue: the political and the cultural. On the one hand, the MNE organisation is a source of strong isomorphic pulls towards similarity across the organisational structures and processes of subsidiaries. At the same time, each subsidiary is an object of isomorphic pulls from the local operational field. According to the political approach, organisation becomes one of the arenas for the struggles between the desire of local managers for autonomy and

the headquarters' desire for control. According to the cultural approach, headquarters' organisational principles and working methods cannot be transferred to its subsidiaries without adapting to the host country culture. Employees in MNEs come from different national backgrounds, and management cannot assume that all of them will share common values and relate to one set of norms. It is assumed that the closer the culture, the easier the collaboration. The main advocate for the latter approach is Hofstede.

However, local tailoring of organisations may not necessarily mean adopting patterns from local organisations, just as 'standardisation' does not necessarily mean adopting parent company's patterns. A local organisational field may be largely populated by MNE subsidiaries (Westney 1993:67). In such cases, local firms are following patterns institutionalised by the MNE subsidiaries.

Rosenzweig and Singh (in Root et al. 1992:144) operate with similar approaches to MNEs. The first approach considers the MNE as a single entity that faces a global environment; the second approach considers the MNE as a set of subunits where each subunit operates entirely within a single nation, unaffected by the rest of the world. In addition to these two approaches, a third approach is added to avoid an extreme position: a MNE is regarded as a set of differentiated structures and processes, and each of these structures and processes exists in the many subunits of the organisation.

Earlier studies of comparative labour economics suggested that the ongoing global industrialisation was producing a convergence of managerial practices and organisational structures across nations (ibid.: 144). Similarly, some researchers argue that organisations face the same dilemmas wherever

they are in the world: democracy versus autocracy, co-ordination versus anarchy, plan economy versus market economy, national versus international; and are therefore in some respects necessarily similar. More recently, however, notions about a convergence of industrial practices have given way to recognition that persistent cultural traits contribute to lasting national variations (Rosenzweig et al. in Root et al. 1992:145).

### ***3.2 Pressures a Subsidiary Faces from its Headquarters***

In addition to the isomorphic pulls from the local organisational environment, subsidiaries face various pressures from the headquarters. What appears to the home country manager as 'the way things are done', often appears to locals as the product of the parent company's home country. Parent company managers are not necessarily aware of the home country's isomorphic pulls on the MNE organisation (Westney 1993:240). Parent company managers' unawareness about the impact on the particular social environment can generate problems, as they may expect the local subunit to take over a similar organisational structure or similar working methods.

Similarly, subsidiaries face pressures for consistency with other subunits in the MNE. Since doing business in a foreign country poses a high degree of uncertainty and ambiguity, there is a tendency to replicate existing organisational features in MNEs (Rosenzweig et al. in Root et al. 1992:145). The communication between headquarters and their foreign subsidiaries may be difficult due to the geographic distance and language barriers. As a means of establishing and maintaining control in international operations, headquarters uses the imperative of control (ibid.146).

### ***3.3 Variables that Affect Subsidiary Structure and Processes***

Rosenzweig and Singh (in Root et al. 1992:148) present a series of variables that may affect subsidiary structures and process. The variables are the host country's legal regulations, technology sharing between subsidiary and headquarters, parent country culture, cultural distance, and the prominence of parent-country expatriates in the subsidiary. Whether a MNE is a part of multi-domestic or global industry; and whether a subsidiary is acquired or greenfield, is also believed to play a role.

Regarding parent country culture, Rosenzweig and Singh (ibid: 149) draw a parallel to Hofstede's uncertainty tolerance dimension. The dimension of uncertainty avoidance indicates to what extent members of a certain culture feel either uncomfortable or comfortable in unstructured situations (Hofstede 1991). Since there is a variation in terms of this dimension across nations, Rosenzweig & Singh argue that there is a variation in the mechanisms of subsidiary control. They assume that parent countries with a high rate of uncertainty avoidance tend to insist on relative similarity within the organisation, and the other way around. With Hofstede's cultural dimensions as a point of departure, it is possible to compare the parent and host country culture from different aspects, and characterise them as relatively close to, or distant from each other. This distance may have implications for the choice of control mechanisms. If the distance is small, there may be less of a need to impose formal controls because a high degree of understanding already exists, and the other way around (Rosenzweig and Singh in Root et al. 1992:149). Finally, the similarity of a MNE subsidiary to the headquarters will be positively related to the prominence of the parent country expatriates in the subsidiary (ibid: 150). Many of these variables reveal the importance of national boundaries on the organisational structure and processes. At the same time authors stress (ibid: 151) that national

boundaries are of varying importance for different elements of organisational structure and processes.

## **CHAPTER 4 - ESTONIA AND NORWAY AS BUSINESS LOCATIONS**

### ***4.1 National Level Influences in Norway and Estonia***

Comparing the national level of Estonia and Norway in the last century, we see that the latter has evolved in a much more stable and favourable setting. Estonia's first period of sovereignty was from 1920 to 1940. During the first two decades of independence Estonia adopted Western institutions in the field of economy, education, and religion (Nurmi & Üksväre 1994b:17). During the Soviet occupation from 1940 to 1991, the Estonian economy was included in the socialist system of central planning, foreign trade was centralised in Moscow, and trade with the West cut practically to nothing (Nurmi & Üksväre 1994b: 20). In the Eastern block, there was a lack of competition (Todeva 1997:7) within as well as between firms, and there was a major difference between the efficiency and effectiveness of Eastern and Western European firms (Sweeney & Hardaker 1994:1). Norwegian informants confirmed the latter during the interviews. When they first started co-operating with Harju Elekter in Estonia, the local light-fitting department had been ineffective. In part, it was a result of old-fashioned machinery. According to the Norwegian informants, the equipment that was transferred to Estonia in the very beginning of the collaboration, however no longer appropriate for production for Western markets, represented a major improvement of the standard for the Estonian factory.

Despite the loss of its traditional markets in the former Soviet Union, the abrupt opening of the Estonian market to foreign companies and an initial shortage of domestic capital (OECD 1996), the Estonian economy has performed well since independence in 1991. As a result of the transition to a new economic system, Estonia's GDP decreased sharply in the years 1991 to 1994. By 1994, the recession was over. Driven by economic integration with the EU member states, the growth rate of the Estonian economy has increased rapidly in 2000-2001. Important exports are machinery and electrical equipment, wood and textiles production, tourism, and transit trade.

The transition period in Estonia has had various effects. People have experienced an enormous pressure by uncertainties in the labour market, by rising costs of living, and the striking inequality of incomes (Lauristin, 1997:109). One result of the transition period was a high degree of uncertainty in the society. No one was prepared for such sudden and immediate changes, and very few people knew how to deal with the new situation. Another result was the growing generation gap between people in Estonia. In some sense, the old people were destined to become losers, as they did not have the necessary knowledge and skills in order to live successfully in a capitalist society. The older generations were also more marked by the Soviet period. The Norwegian informants noted the generation gap in Estonia, and considered the "*mental programming*" of younger people in Estonia to be close to their own. The generation gap affects foreign language and computer skills in Estonia. The international business provider Dun & Bradstreet gives the following recommendations to foreign business-people in Estonia on their web pages: "*Younger Estonians often speak English, but bring an interpreter when you are meeting older business people,*" (Dun & Bradstreet). Another typical tendency for present day Estonia is urbanisation. About one third of the Estonian population lives in Tallinn, and most of the Estonian economy lies in or in the neighbourhood of Tallinn. Most foreign companies invest in Tallinn and Northern Estonia, and it is easier to get a job

there. "Westernisation" has come further in the North than in the South, and the Estonian subsidiary of Glamox serves as a good example of that.

Estonians adopted Western values in terms of work ethic, individualism, and free enterprise during the first period of independence, but after five decades of no trade with the West, they lacked knowledge of Western markets, modern marketing practices, design, product development, and pricing (Nurmi & Üksväre 1994b:17, 20). But already during the first decade after 1991, Estonia's trade with Russia has diminished drastically, and Estonia's main foreign trade partners today, both in terms of import and export, are Finland and Sweden. In terms of technology, Estonia has traditionally been a country with a high level of electronics know-how. Under the Communist rule, Estonia was the leader in the Soviet Union in the manufacture of certain electronic devices (ibid: 22). Today, Estonia lags behind the West and is not able to compete on the forefront of technology on the global market. However, Estonia has a large number of Internet connections per capita, ranking ahead of even West European countries such as Belgium or France. In part, this can be seen as a result of a national data communication program "Tiigrihüpe" ("Tiger Leap"), which has managed to connect all schools in Estonia to the Internet (Tiigrihüpe 2002).

During the Soviet era, huge resources were allocated to education, and the level of general formal education in Estonia was high (Nurmi & Üksväre 1994b:31). Today, formal education indices of the Estonian population are high, also when compared to indices in European Union membership countries. The percent of people with only primary and nine year education is over two times below the average in European Union member countries (Human Development Report of Estonia 2000). The Norwegians interviewed also had an impression of Estonians as well educated. Despite the high educational level in Estonia, some differences between Soviet and Western education systems



and the subjects taught, existed. For example, one manager considered the technical university education in Estonia to be more general in character than in Western countries. His foreign business partners told him that this could be seen as a positive thing as a wider knowledge base facilitates resolving a wider range of problems. Today, a number of private higher educational institutions have emerged in addition to the public ones. But due to the growing social differences, not everybody has the capacity to gain higher education any longer. Contrary to the higher educational institutions, the situation of vocational educational institutions has become worse during the decade of independence. To improve the situation, a reform of state vocational educational institutions started in 1995, aiming at providing young people and adults with an opportunity to obtain knowledge and skills present day employers require.

Norway has enjoyed tremendous economic growth during the period after World War II. With a GDP per capita of 34 310 USD in 2001 (Eesti Entsüklopeediakirjastus 2001), the country's living standard lies above the European average. The strong growth in the Norwegian economy must be viewed in connection with the discovery of oil-deposits on the Norwegian shelf at the end of the 1960s. Due to favourable natural conditions such as access to petroleum deposits, hydroelectric power, and forest and fisheries resources, Norway's manufacturing is heavily based on raw materials (Russwurm 2001). The Nordic countries, the UK, and Germany are Norway's most important trading partners, and main export products are gas and oil. Machinery and carriers, metals, fish and fish products also make important contributions to the economy (Nærings- og Handelsdepartement). The Norwegian Labour Party has played a major role in shaping the Norwegian welfare state after World War II. In stark contrast to Estonia, the Norwegian state provides a high degree of social security for its citizens, as Norwegians who are not able to work may provide for themselves through a fairly generous social policy system. Similarly to other Scandinavian countries, Norwe-

gian politics is characterised by consensus and stability. In a small country with a large number of democratic institutions such as Norway, political security is secured through power sharing and compromise.

## **4.2 Norwegian versus Estonian Culture**

National culture is deeply rooted in history and in the collective consciousness of people. Both Norway and Estonia have been under foreign rule for centuries. Norway is a society where the traditional and the modern are combined in a peculiar way. Norway can be described as a “... *paradoxical society, which in many ways is still a rural community on the outskirts of Europe, but it is also one of the world’s most modern and advanced societies with regard to state administration and development of high technology*” (Enzenberger in Hylland Eriksen 1996b: 3). This statement indicates respect for traditional values and a lack of well-rooted urban culture, and simultaneously, the existence of a modern, technologically advanced state. In part, this view of Norway and Norwegians was confirmed by the findings from the Glamox’ case.

Even though Estonian identity is more or less formed through opposition to foreign rulers, the integration into different realms throughout centuries has also influenced the formation of Estonian culture. Extensive historic contacts between Estonia and Germany, Scandinavia, and Russia have shaped the mentality of Estonians. Recent studies have shown that Estonians score high on an individualism rate, a trait that is generally associated with the Western world. Another typical characteristic of Estonians is formality, both in business affairs and in private. The formality is for example reflected in people's way of dressing. Dun & Bradstreet gives the following advice to businesspeople planning to do business with Estonians: “*The way of clothing in Estonia is formal. Without*

*wearing a suit and a tie, you are running the risk of being taken for not fully competent to pass resolutions."* The Estonian formality may be a result of the country's historical connections with Germany and Estonian's wish to identify with German culture. In Pajupuu's (Pajupuu 1999) cultural tree, which is based on Hofstede's power distance, individualism, masculinity, and uncertainty tolerance, Estonia is placed in a subgroup together with Switzerland and Germany.

Historians often emphasise the Norwegian separation from Denmark and Sweden in respectively 1814 and 1905, as well as the resistance to Nazi Germany during World War II (Hylland Eriksen 1996b) when describing the development of the Norwegian nation. After independence in 1905, it was important for Norway to mark itself as a nation with its own spirit, culture, and national symbols. Estonia faced a similar situation after independence in 1991. The Soviet occupation had cut Estonia off from the West, but Estonians still identified themselves with Western culture. However, in 1991 nothing or very little was known about Estonian culture, history, and language in the West, and Estonia was continuously viewed as a part of the former Soviet Union. It was important for Estonians to show the world that Estonia was an independent nation with its own specific culture. To mark the cultural distance from the Russians, Estonians choose to emphasise their kinship with the Finns. Estonian and Finnish belong to the Finno-Ugric group of languages, and language is assumed to be an important bearer of national identity. As Finnish radio and television were important channels for Western news and ideas during the Soviet period (Nurmi & Üksväre 1994a: 3, Lauristin 1997:35), most people in Northern Estonia had a good command of Finnish. Finnish television is believed to have shaped Estonian identity (Lauristin et al: 76,35), and according to the retired Norwegian CEO, the impact of Finnish television on Estonians knowledge of the Western world was one of the reasons for the success of the Estonian-Norwegian collaboration.

Nurmi & Üksväre (1994a) have constructed a layer model of Estonian versus Finnish culture where culture is described with the innermost core values and their observable manifestations. The core values of Estonians are nationalism, patience, Scandinavian individualism, adaptability/flexibility, honesty, and reservedness. The Finnish core values were similar to the Estonian. The similarity can partly be explained by the fact that although the ideological control by the Communist Party was strong in the Soviet Union, the pressures of the totalitarian system were weaker in the Baltic countries, and the majority of Estonians never accepted the new Soviet identity as their own (Lauristin et al. 1997:75). The Soviet occupation in the Baltic countries lasted one generation less than in other parts of the Soviet Union, many people still remembered life in the independent Baltic countries, and the maintenance of the national identity was easier (ibid.). Nurmi & Üksväre (1994a:3) claim that during the Soviet times Estonians learned to use two registers of communication: to pay lip service to the official dogmas and ways of speaking in public, and to use a genuinely national parlance in the family and with reliable friends. Family was thus been an important media for the transmission of cultural values in the post-war period (ibid: 27). This echoes Hofstede's argument, which emphasises the role of the family in the development of norms and values. Even though the Estonian focus on the kinship with Finland manifests a reluctance towards the 'Homo Sovieticus' identity, there is no doubt that the Soviet regime has influenced values and norms held by Estonians today.

#### **4.2.1 The Individualism and Power Distance Index in Estonia and Norway**

Comparing Estonia and Norway along the Hofstede's individualism-collectivism dimension is problematic, as there are no identical data available for the two countries. Norway was included in Hofstede's IBM study, and with a figure of 69, it was a country with a relatively high level of indi-

vidualism (Hofstede 1991:53). Estonia was part of the Soviet Union at the time of Hofstede's survey and is not included. Although community feeling was a public policy in the Soviet times, and several studies show that the Soviet Union as a whole had a high collectivism index, it is important to remember that it was a highly heterogeneous union of states, and differences in terms of Hofstede's dimensions may have been considerable. The Estonian individualism-collectivism dimension has been examined by several scholars after the collapse of the Soviet Union, and reveals various results. Estonians demonstrated high scores of collectivism in the beginning of the 1990s (Triandis 1995, Schwarz, S.H. 1994). This may be a result of the Soviet 'bloc culture', combined with the collective national values (Lauristin et al. 1997:40). The Estonian writer Viivi Luik (Veidemann 2001) argues that due to historical reasons, Estonians are used to identify themselves with a collective; *us*. As Estonia has been ruled by foreign powers through centuries, there has always existed a mobilising myth about Estonians' superiority compared to the enemies. According to Luik, Estonians have not had the time to learn how to consider themselves as individuals. The high scores of collectivism contradict Nurmi and Üksväre's (1994) studies, which, approximately at the same time, considered Scandinavian individualism to be one of the core Estonian values. Lauristin (1994:40) argues that during the course of Estonia's transition, cultural regulation has moved towards an individualistic value orientation. A comparative study of American, Estonian, and Russian students by Realo and Allik (Realo & Allik, 1999) confirms the Estonian low collectivism rate. The authors studied three aspects of collectivism: relations with the family, peers, and society, and found Estonians to be the least collectivist in all three areas. The study may seem surprising as the Estonian students were less collectivistic than the students from America -a country, which is often regarded as the yardstick of individualism (Hofstede 1980)-, but the study confirms the Estonian national myth of their extreme individualism (Realo & Allik 1999:140). Vadi (2000) and Pajupuu (1999) also points out the Estonian low collectivism rate. Recent research about Estonia and

Hofstede's conclusions about Norway thus indicate that we are dealing with two countries with a high rate of individualism. However, as Estonia was not included in Hofstede's study, its position in relation to Norway on the individualism dimension remains hypothetical.

In terms of economic indicators, Estonia's position in 2001 is much stronger than a decade ago. Estonia's Gross Domestic Product per capita in 1992 was 707 USD (*City Paper*), which is approximately five times higher than in 2000, 3,480 USD (Eesti Entsüklopeediakirjastus 2001). These indices are still much smaller than Western European countries but the present growth in the economy gives people more independence, a greater number of choices, and contributes to a growth in the individualism rate. According to Earley (1998:7), highly heterogeneous societies are less likely to be collectivist since they do not share a common heritage and background. The Estonian society is highly heterogeneous as one third of the population consists of a Russian-speaking minority. In terms of social classes, Norway is one of the most egalitarian societies in the world whereas in Estonia, class formations and generation gaps have become visible in the last couple of years. As shown in section 2.1.2, economic deprivation is also associated with individualism. There is no strong and well-to-do middle class in Estonia. These findings are indications of Estonia's high individualism rate.

On power distance, Norway scores with a figure of 31 and is thus a country with a low power distance index (Hofstede 1991). Norwegian organisations are decentralised and flat-structured. Norway has never had a strong landed gentry or a solid urban bourgeoisie. Until the beginning of the 20th century, a vast majority of Norwegians were farmers or fishermen. This is still marked in the Norwegian ideology of equality (Hylland Eriksen 1996b), and reflected in non-hierarchical organisational forms, even though subordinates and superiors in Norway not always consider each other

existentially equal. As the average educational level in Estonia is high, and people's welfare is increasing (based on growth in GDP), Estonia's PDI can be assumed to be rather low. Pajupuu (1999), drawing on theoretical considerations in her work, concludes that Estonia is a country with a relatively low power distance index. But in contrast to this, we find a tendency to hierarchical organisations and centralised decision-making processes, indicating that less powerful members of organisations accept that power is distributed unequally. This reveals a high PDI. If Estonia's PDI rate is medium to high, the finding contradicts Hofstede's theory where individualism is associated with low PDI.

## **CHAPTER 5 – THE GLAMOX CASE: THE FINDINGS AND THE MICRO LEVEL DISCOURSE**

The following discourse is inspired by Hofstede's cultural approach to organisations, according to which a firm's local environment plays a major role, and MNEs' structure and processes should be adapted to the host country culture. I will mainly discuss findings on the national and societal level in Estonia and Norway *contra* findings on the organisational and operational level in Estonia and in Norway, and, more specifically, in Glamox. In addition to the immediate environment of the subsidiary, pressures from the home country and the international business environment will be taken into consideration. As we live in an era of globalisation, I will also include influences from the global environment. In order to achieve EU membership, the Estonian government is adapting its legal and regulating systems to EU standards, and is one way international and global affairs influence Estonian organisations. Host country influences play an important role in the case of a MNE subsidiary, and some features of a subsidiary are more receptive to parent country influences than others. In the case of the Estonian subsidiary, computer programs and logistics systems were har-

monised across the whole group whereas decision-making structure and management style kept a lot of their local character.

### ***5.1 Background of Glamox and Glamox HE***

Glamox is a Norwegian industrial group that develops, produces, and distributes professional lighting solutions for the global market. It consists of a group of companies with operations in most European countries, as well as in Asia, the USA, and Canada, and is the market leader in Norway and Estonia. The Group is organised with Glamox AS as the parent company, which is responsible for key functions such as strategy development, marketing, financial and economic management, e-business, and organisational development. The parent company's functions are divided between Oslo and Molde. The company's head office is in Oslo and its business office in Molde. Operations are divided between two independent business areas: Global Marine & Offshore and European Professional Lighting (Glamox annual report 2000).

The history of Glamox goes back to the 1940s when Birger Hatlebakk founded his first company for products for electrical installations in Trondheim. In 1948-49 Hatlebakk developed a special surface treatment process for aluminium. This process gave the aluminium reflectors a unique surface and became known as "glamoxised". The company took the name Glamox in 1951 as a result of this unique process; GLAtt-Matt-OXidised. In 1957 the production moved from Trondheim to Molde, where the main factory is today, and the first sales organisation was established. The business expanded abroad, and sales companies were established in a number of countries. Export has, since then, been important for Glamox.



Harju Elekter, the Estonian producer of electrical equipment, was originally connected to the building unit of Harju County's collective farms. In 1968 when Harju Elekter was established, the main challenge for Soviet companies was not to sell their products but rather the shortage of product supplies. As a result, collective farms in different counties had to establish separate units for production of building materials for their own use. Harju Elekter was established as a section for manufacturing electrical equipment in Harju County. Today, Harju Elekter is considered a good example of a medium-sized Estonian industrial enterprise that has turned into a successful competitor on the Western market. According to the chairman of Harju Elekter supervisory board, the company secured its position by finding foreign investors to different production areas at the end of the Soviet era.

The first contacts between Glamox and the Estonian Harju Elekter took place via Glamox' Finnish subsidiary in 1988. Initially only joint production was discussed, as it was the only legal form of international cooperation in the Soviet Union. When Estonia regained its independence and received its own currency, it became possible to establish joint ventures. As a result, the light-fitting department of Harju Elekter became a Glamox subsidiary. AS Glamox Harju Elekter was founded in 1992 as a joint venture between AS Harju Elekter (49%) and the Glamox Group (51%). In May 2000, Harju Elekter signed the agreement for the sale of its 20% holding in AS Glamox Harju Elekter to the core investor Glamox ASA. After the sale the company's name was changed to Glamox HE, and it now belongs 100% to the Norwegian Glamox Group. The establishment of a Glamox subsidiary in Estonia was generated from Finland, and during the first years of collaboration, there was little contact between the Glamox headquarters in Norway and Estonia. While Glamox HE's in the beginning focused on products for the Baltic market with high labour costs at the end of their product life cycle, today, new products are being tried out in Glamox HE in order to be distributed

to all Glamox markets. Glamox HE now plays a strategic role for the Glamox group, and there is almost daily contact between Norway and Estonia.

Glamox HE has a production unit in Keila in the vicinity of Tallinn, and a sales unit in Tallinn. In June 2001, the total number of employees was 105. Few people were employed at the time of my fieldwork, as a result of the present extension of the production. During the last three years Glamox HE has also had its own development unit, which is integrated with the EPL group R&D. The main working area of the Glamox HE's development unit is the products made in Estonia.

## ***5.2 Reasons for Collaboration***

In order to fully understand the findings on the micro-level in the Norwegian headquarters and the Estonian subsidiary, it is necessary to briefly describe the point of departure for this collaboration. Typically for a republic in the former Soviet Union, Estonia's foreign trade was centralised in Moscow, and after independence in 1991, the country lacked knowledge of modern Western business practices. In order to gain access to the necessary Western know-how that would help manage the competition on the global market, Estonian companies started to search for Western business partners and investors. An Estonian member of the Glamox HE supervisory board and an Estonian manager told me that their main aim for collaboration with Glamox had been finding a foreign investor and gaining access to relevant know-how and contacts. The latter was especially difficult, as the only existing business contacts were with countries in the former Eastern block. As a result of the economic situation in the Soviet Union, there was a short supply of products, and Estonians did not try to expand into foreign markets but focused on getting access to products and materials necessary to upgrade their production. According to the retired Glamox CEO, Glamox invested in

Harju Elekter in order to gain access to the Soviet markets, as well as access to cheap and qualified manpower. Although Estonian salaries have risen since 1991, they are still extremely low compared to the Western level. The average monthly wage in 2001 was 330 USD (*City Paper*), and the labour force is considered well educated and -skilled. As the original aims were achieved by the start of this collaboration, both parts profited from it.

Glamox' original aims have partly changed over time. To begin with, the tangible aim had been to compete on the Baltic market, something that could only be achieved by having inland production. The aim is achieved, as Glamox has become a market leader in both Norway and Estonia. The Estonian market has quickly corresponded to changes in the environment: in the early 1990s there was a demand for simple products of relatively low standard, whereas today's requirements to light-fittings are approaching Western standards. Today, Glamox HE produces for the Baltic market, as well as for the entire Glamox market.

Access to cheap manpower will play an increasing role for Glamox in the years to come, according to the Norwegians. They believed that production demands will increase and the margins decrease. As a result, it will become even more crucial for firms to be able to cut production costs. One Norwegian manager calculated that the cost of an Estonian industry worker is only 15% of her Norwegian counterpart, making up a difference of 85%. Even though manpower is cheap, logistic costs are high as raw materials are transported to Estonia and manufactured products exported from the factory to the Glamox markets. "*The only cheap input factor in Estonia is manpower*," a Norwegian manager remarked<sup>2</sup>. In addition to cheap manpower, Estonia's proximity to Russia and the NIS

---

<sup>2</sup> I have translated all quotes, as the interviews were conducted in either Norwegian or Estonian.

countries still plays an important role for Glamox. Norwegians considered Estonia as an appropriate point of departure in terms of future expansion to Ukraine, Byelorussia, Lithuania, and Russia.

### **5.3 Pressures on Glamox HE from the Headquarters**

As shown in sections 3.2 and 3.3., subsidiaries face various pressures from the local environment as well as from the headquarters. In order to describe the management and decision-making styles and working methods in the Estonian subsidiary, it is necessary to specify the pressures the subsidiary faced from the headquarters. Until the end of the 1990s, the organisational structure in the Glamox Group was decentralised. At that time, Glamox was not an integrated group, but a group of companies with different strategies. Several informants characterised companies in the Glamox group at that time as "*small kingdoms*". In 1998-1999 the business process reengineering was carried out, and a common strategic platform for the whole group was formed. "*A terror change*", as one Norwegian manager called it. His statement gives us an idea of what the process must have felt like. There were several reasons for the restructuring. As all production units started to produce for the entire Glamox market, smooth communication and logistic processes became even more important than before. Typically for the time, a group of loosely coupled subunits was no longer feasible for competition on the global market. The situation would have been different if the production units had produced for their home market only. Another reason for restructuring was the fact that, according to informants, Glamox was at the edge of an economic disaster in 1997. Something had to be done urgently.

At the time of my fieldwork, June 2001, the extended restructuring processes characterising the company for the last 3½ years were about to be completed. The company was entering an ordinary

operation phase controlled by reinforced management groups of the two operating divisions. Since January 2000, Glamox has been divided in two divisions: Global Marine and Offshore (GMO) and European Professional Lighting (EPL). GMO operates worldwide and offers light-fittings to the global marine and offshore market. EPL, representing a continuation of the traditional Glamox, concentrates on the European market for land-based lighting and offers the market total solutions in several lighting concepts such as shops/commercial centres, hotels, hospitals/healthcare, industry, exteriors etc. Each business area is responsible for its group of companies (Glamox' annual report 2000). The Estonian subsidiary Glamox HE is part of the EPL division.

There was a lot of pressure on Glamox HE during the restructuring, as well as on other subsidiaries. As a result of the restructuring process, central control from the Glamox headquarters on the Estonian subsidiary has grown. During the last 3½ years, Glamox HE has become more integrated in the system than before, and simultaneously, has lost some of its earlier freedom. Although it seemed obvious that Glamox HE enjoyed less independence after the restructuring, some Norwegians and even Estonians did not share this opinion. The Estonian unit manager pointed out that the earlier "freedom" was a result of a lack of co-ordination. At the same time he noted that concerning the production, Glamox HE was independent. Stressing this, he implicitly admitted a lower degree of independence in other areas. Another manager also disagreed with the notion that the restructuring process had resulted in centralisation of power in Norway, and labelled the change as "*increased standardisation*". One Norwegian manager considered the increased integration as a positive thing, pointing out that, Glamox HE had achieved a higher degree of involvement in the group.

As mentioned above, Rosenzweig & Singh (in Root et al. 1992:149) assume that parent countries with a high rate of uncertainty avoidance tend to insist on relative similarity within the organisa-

tion, and the other way around. In the Glamox HE case, I could not identify parent country pressures towards integration in terms of management styles and working methods. The pressures Glamox HE faced were largely non-cultural: pressures of integration, harmonisation of logistic systems, and in terms of economic indices. Glamox HE management consists of two Estonians and one Finn. Several Norwegians pointed out the importance of a local management in Glamox HE. Respect for the national culture and history was seen as essential. *"It is dangerous to believe that because you are Norwegian you are a world champion who can tell everybody to wear Glamox-caps - it does not work,"* as one manager put it. The overall impression was that the Norwegians had respected the Estonian culture.

According to Rosenzweig and Singh, the cultural distance also has implications for the choice of control mechanisms. Using Hofstede's cultural dimensions as a point of departure, it is possible to compare Estonian and Norwegian cultures. Scoring with a figure of 50 on the uncertainty avoidance dimension (Hofstede 1991), Norway is a country with a strong uncertainty tolerance. This means that Norwegians tolerates opinions and practices different from what they are used to. The cultural distance between Estonia and Norway, regarding Hofstede's cultural dimensions, remains theoretical, as Estonia was not included in Hofstede's IBM survey. According to Pajupuu's cultural tree (Pajupuu 1999), there are nine countries (out of fifty countries and three regions) between Estonia and Norway, and although the cultural distance is not momentous it certainly exists. The empirical findings from the Glamox case reflect this assumption, and in the case studied, Estonian and Norwegian culture seem to be close in some respects and distant in other. Additionally, doing business with a high-risk country such as Estonia posed a considerable degree of uncertainty for the Norwegians. Even though Norway is a country with low uncertainty avoidance, the uncertainty in Estonia may have been an indirect reason for imposing formal controls. But in the case of Glamox

HE, Estonia's transition with a high degree of uncertainty and the cultural distance between Norway and Estonia, cannot serve as the only explanation for strong formal control from the headquarters. Just like the Estonian subsidiary, other subsidiaries were also integrated in the group, and Glamox' economical situation before the restructuring, tougher competition on the global market as well as dissatisfied customers should be taken into consideration. Rosenzweig and Singh argue that the similarity between headquarters and the subsidiary is influenced by whether there is any parent country expatriates in the subsidiary or not. During my fieldwork, the only foreigner in the Glamox HE management was a Finnish production manager from the Finnish subsidiary, and there were no Norwegian expatriates in Keila in the Estonian subsidiary. Following the argument of Rosenzweig and Singh, this may be one reason why there were noticeable differences in management styles and working methods between the Estonian subsidiary and the headquarters.

## **5.4 Recruitment Practices**

The turbulent period of changes in Estonia since the end of the 1980s has resulted in a highly heterogeneous society. The gaps between young and old generations with different skills and knowledge, the class formation, and strictly separated Estonian and Russian communities influenced the recruitment practices of Glamox HE. Since 1990 and onwards, Glamox HE's Estonian parent company Harju Elekter has only employed people directly from universities. University graduates are assumed to be "*unspoiled*" as they usually have no previous working experience from other, Soviet-style firms. According to the chairman of Harju Elekter's supervisory board, the company had positive experiences with this practice: "*These people, in contrast to older people, have good language and computer skills*". The hiring of people fresh from the university shaped the manpower of Glamox HE as Glamox HE was established as a subsidiary of Harju Elekter a couple of years later.

The young and educated workforce eased the collaboration between Norwegians and Estonians. Comparing the importance of practical skills and formal education, the Glamox HE unit manager distinguished between the offices and the production. He considered a university diploma to play an important role when employing an office worker, whereas practical skills were important for a production worker. This prioritisation is probably a result of the crisis in the field of Estonia's vocational education, which is currently being reformed in order to cover the needs of today's employers. According to another Estonian manager, university graduates should not start their careers higher than middle management as experience was preferred in key positions. One Norwegian manager noted that due to the frictions on the national level between Estonians and the Russian-speaking minority in Estonia, Estonians never advertised available jobs in the newspapers.

In Molde, which is a middle-sized town on the northwest coast of Norway, the recruitment situation was somewhat different than in Glamox HE in Estonia. A future employee's personal connections with Molde proved to be an important criteria for hiring somebody in Glamox' Molde factory. Experience had shown that an employee with no prior connections with Molde was unlikely to stay for a long time. The people already hired in Molde, seldom quit, as it was difficult to find another job. The Norwegian managers stressed communication-skills, teamwork, confidence, honesty, openness, and loyalty as important qualities of a potential employee. The Molde factory, which has a much longer history than the Estonian subsidiary, had varied their recruitment practices over time. Traditionally, practical skills were considered a more important criterion when hiring somebody in Glamox in Norway than formal education, and internal experience was important for key positions in the company. One manager gave an example of Birger Hatlebakk's, the founder of Glamox, rather eccentric principles for promotion. Before a person was given a key position in the company, she had to learn how to sweep the floor. Formal education was not considered that im-



portant. This recruitment practice had changed in the 1980s and 1990s, when priority was given to university graduates, often without practical experience from the Glamox' field. Ideally, an employee's background was said to be a combination of both practical skills and formal education.

## **5.5 Competence and the Educational Level**

In order to illustrate the smoothness of the Glamox collaboration, I have chosen to discuss the issues of the educational level and the competence of the employees. Comparing the general educational level in Glamox HE and in Molde, both Norwegian and Estonian managers assumed that it was higher in the Estonian subsidiary both in the offices and in the production.<sup>3</sup> The high knowledge level of the Estonian employees is linked to the generally high educational level in Estonia. One Norwegian manager, concerned about the lower educational level in Glamox in Norway, believed that the fact that Glamox HE had attracted people with a high education was one reason for the company's success. Working for Western companies was popular among Estonians after independence in 1991. Norway also has a high educational level, but the Glamox units in Norway, possibly due to the unfavourable location in Molde, have not attracted people with higher education to the same degree as in Estonia. Despite their high education the Estonians had some gaps in their knowledge. The retired Glamox' CEO pointed out that to begin with, Estonians' knowledge of modern business practices had been marginal. *"They had learned nothing about Western bookkeeping systems at the university, or perhaps only half a day. In my mind, the bookkeeping system they used, was similar to a spying system,"* he said. Glamox HE solved the bookkeeping problem by hiring an accountant who quickly learned Western bookkeeping. Estonians eagerly learned Western bookkeeping, working practices, and how to handle new machinery but did not necessarily consider

---

<sup>3</sup> Norwegian and Estonian managers based this assumption on speculations and not on numbers.

the Western systems superior to Soviet traditions. One Estonian manager for example considered the old, "Soviet" bookkeeping system to be more accurate than the current Western one.

The high level of education of the Estonian workforce directly influenced the competence of the subsidiary. Estonians in Glamox HE viewed themselves as competent if not extremely competent. Nevertheless, according to the Estonians, the research and development areas could be improved. The Norwegians agreed, and described the Estonians in Glamox HE as extremely competent in production, and competent in R&D. Estonian computer specialists were even sent to other Glamox countries in order to implement new computer programs. The Finnish unit manager pointed out that in terms of competence there was a big difference between the Estonian and Finnish subsidiaries. According to him, the difference did not lie so much in culture and tradition as in knowledge and capacity. While the role of the Finnish factory was to be a production company, the Glamox HE was supposed to be independent also in the field of R&D. In a majority of fields, the knowledge level and the capability of carrying out activities independently were higher in Estonia. He pointed out that, although the Finns were creative and had a high knowledge level, the differences resulted from a higher degree of curiosity and local commitment in Glamox HE. The Finnish unit manager used the expression "*a little sleeping bear*" about the Finnish subsidiary, and "*a fast jumping rabbit*" about Glamox HE. In the summer of 2001, the Finnish production unit was closed, and some of their production was transferred to Estonia.

## **5.6 The Cultural Context of Glamox' Collaboration**

The informants' reactions to their partners' working methods and management styles may in fact reveal interesting aspects of their own working practices. In the following section I will present

Estonians' and Norwegians' impressions of each other as business partners. In order to describe their relationship, the Norwegians and Estonians used Germans and German business culture<sup>4</sup> as a yardstick. Estonians often had difficulties understanding the Germans because of their different mindset. Compared to Norway, they considered Germany to have a rigid and hierarchical working organisation. This may be surprising, as some studies have shown Estonian and German proximity in terms of Hofstede's four cultural dimensions (power distance, individualism-collectivism, masculinity, and uncertainty avoidance). Pajupuu (1999) has constructed a culture tree on the background of Hofstede's data where Estonia is placed in a subgroup with Switzerland and Germany. Several Norwegians pointed out the relatively high degree of formality of Estonians, as well as of the processes in Glamox HE compared to Norway. As Germans are known for their formality, the roots of this feature of Estonians may be rooted as far back as the period of German rule in Estonia.

Commenting on their collaboration with Norwegians, Estonians often referred to the Finns whom they considered to be the easiest nation to do business with. Although no Estonians characterised the collaboration with Norwegians as very difficult, their communication with their Finnish business partners was referred to as much more relaxed. After the establishment of Glamox HE, a number of Estonians were trained in Glamox' Finnish subsidiary. It was considered to be the most practical solution because of the geographic closeness and language kinship. According to the Estonians, it was much easier to understand the Finns, not only because of the language, but also because of their manner of thought. But Estonians still considered Norwegian culture to be relatively similar to their own. *"For me, there exists a clear distance between Norwegian and Estonian cultures, but it is nothing unmanageable,"* one manager said. To Estonians, Norwegians came across as reserved,

---

<sup>4</sup> Both Estonians and Norwegians were regularly in touch with the Germans in Glamox' German subsidiaries.

hard working, economical, tenacious, fond of traditions, and generally nice, but simultaneously, arrogant and self-conscious. (See section 5.11 for discussion.) The Norwegians' close relationship to nature was also pointed out. One Estonian manager remarked that he often expressed himself more directly to his foreign partners than they did to him. Here, a parallel can be drawn to Sørhaug's comment (1994:501) on one aspect of the behaviour of Norwegian managers, namely the indirect way of giving orders. According to Sørhaug, this practice is believed to give the person down the line a feeling of choice.

Norwegians told me that they felt a certain Scandinavian cultural kinship with the Estonians. They considered Estonians to have a similar attitude to work, and a will to resolve problems independently. Estonians were perceived as intelligent, hardworking, eager to learn, positive, creative, and proud. One Norwegian informant commented on the Estonian pride: *"It is positive that they are willing to take the responsibility, but it can also be a good idea to ask for help sometimes"*. At an early stage of the collaboration, a Norwegian discovered that one Estonian employee knew very little English. The Estonian never admitted that he did not speak English, but took care to learn English very fast after he was "discovered". Glamox had been involved in a collaboration project in Poland, which proved to be difficult, and Estonian mentality was said to be closer to the Norwegian mentality than Polish. One Norwegian manager described Glamox HE as *"... a Western-oriented production culture in a low-cost country"*. Some Norwegians believed that the Estonian access to Finnish television in the Soviet times, as a window to the Western world, facilitated the collaboration in the beginning. But in certain situations, Norwegians still felt the influence of the Soviet period. One manager said that the Glamox HE factory seems Western at a first glance, and Norwegians take it almost for granted that the implicit norms and values are Western. But in situations with uncertainty, a different perspective is revealed. The manager put it like this: *"Although every-*

*thing in the Keila factory is so Western, our communication [with the Estonians] is excellent and the process of changes has been so easy, one should not forget Glamox HE's past in a time where circumstances were totally different. We cannot help reading what we see with our own cultural background and experience".* The fact that modern Western business practices only had existed in Estonia for ten years became apparent to the Norwegians in situations with internal conflicts between the Estonian employees. The Estonian way of solving conflicts was unexpected to the Norwegian manager. He said that he had a clear map of the organisation in his head, but for the Estonian manager it lost its importance in an emergency. Managers from the middle levels were not involved, and the top manager immediately discharged the other part in the conflict. This example shows that people with different cultural background share certain common-sense expectations in their culture; and whereas explicit to the members of the culture, they remain tacit to others. Whereas it is relatively easy to share the explicit Western rules for doing business, it is nearly impossible to communicate the highly personal and contextual norms for behaviour in emergency situations. Although the Estonian manager truly had learned the "correct, Western rules" for resolving this particular situation, they had not yet become a natural part of his mental programming.

As Glamox produces light-fittings for office and industry, the taste of customers in Norway and Estonia was a frequent topic of discussion, and one can expect the different cultural background of Norwegians and Estonians to shape their taste. It was pointed out that there were no notable differences in taste in terms of light-fittings for the Glamox production areas. The differences existed regarding light-fittings and design for private homes. In Estonia, there appeared to be a polarisation in terms of taste. One Norwegian manager said that consumers in Estonia were more sophisticated than in Norway. He also added that in Estonia you find consumers who require nothing at all and consumers who were extremely sophisticated. The polarisation of the customers is connected to the

emerging class divisions in Estonia. Estonians regarded the Norwegian taste as simpler and more traditional than their own. This was explained by the Estonians' higher degree of urbanisation and mixed cultural background. One manager had spent longer periods of time in Molde where he had rented an apartment furnished in a minimalist style. He enjoyed the furnishing style, but the Norwegians who visited him, did not appreciate it. The Estonian manager explained his Norwegian friends' traditional taste as follows: "*Norwegians are very fond of traditions, they do not like new and innovative design*". Estonians saw Norwegians as shaped by life close to nature, and explained the Norwegian taste with the special geographical and climatic conditions in Norway. The difference between the environments in Molde in Norway, where Glamox originates from, and Keila in Estonia is striking. In Molde, a town with approximately 24.000 inhabitants, situated on the north-west coast of Norway, nature shapes people's everyday life. Keila with 10.000 inhabitants is only half an hour drive southwest from Tallinn, with urban surroundings.

## **5.7 Management and Decision-Making Style**

During the Soviet regime, state-centred bureaucratic order and ideological control guarded Estonian firms. Organisational patterns in Estonia during the Soviet times were imposed on organisations by the state. Based on the literature on working organisations in Estonia during the Soviet period, organisations seem to have been dominated by hierarchy, authoritarian management style, and a centralised decision-making system. A study on Estonian management style under the Communist rule (Krips in Vadi 2001:26) concluded, among other things, that Estonian managers did not pay attention to the needs, wishes, or characteristics of the subordinates; they were bossy; they had an attitude towards subordinates as if they were children; they did not take the subordinates' points of view into consideration if these contradicted their own ideas; and could not stand bottom-up initia-

tive. Similarly, a comparative study done on Finns and Estonians in the beginning of the 1990s (Liuhto in Nurmi & Üksväre 1994b:51) showed that in Estonian companies, authority was respected more than in Finnish ones. An international provider of business information Dun & Bradstreet has made the same observation, considering Estonian organisations to be more hierarchical than in for example Sweden, and the director always makes the final decision (Dun & Bradstreet). Hierarchical organisations and centralised decision-making are associated with high power distance index. According to my empirical findings, the situation has changed, and these examples may serve as glimpses from the Soviet time. But something of the 'Homo Sovieticus' still seems to be alive, at least in the eyes of the Norwegians. Even though the Estonians in Glamox HE were characterised as highly independent and responsible, the Norwegians often perceived the local management style in Estonia to be influenced by the Soviet past. For example, my findings indicate that compared to Norway, the local management style in the Estonian subsidiary was more autocratic and decision-making processes more centralised. Despite the fact that the Soviet times had left traces on the Estonian business culture, the decade of independence had changed the old patterns noticeably. In part, it can be seen as a result of mimetic isomorphism where Estonian organisations have responded to uncertainty by adapting patterns of the numerous MNEs from the West and especially from the Nordic countries in Estonia. Today, Estonian and Norwegian management styles share some traits, and both Glamox HE's and the headquarters' management styles were in some periods characterised as authoritarian.

Commenting on the local management style on a scale from democratic to authoritarian in Glamox HE, a variation of opinions prevailed. The only Glamox HE manager with extensive working experience from Glamox in Norway considered the local management style in Glamox HE to be authoritarian and dominated by individuals compared to the Norwegian management. It should be

added that being around thirty, he was the youngest of the Estonian informants, and had a two-year working experience from various companies in the USA. The other three Estonian informants perceived the management style in Glamox HE as somewhere in between authoritarian and participatory. One manager who was in his mid 30s, said that the local management style was a combination of both extremes. "*We do not have a **very** strict hierarchy,*" as he put it, "*and everybody has the right to state her opinion*"<sup>5</sup>. His remark indicates a rather hierarchical view of organisations. The Glamox HE unit manager who was around fifty, claimed that due to historical reasons, there was still a shortage of collectivism and democracy in Estonia. He also pointed out that the separation of the production and sales departments into two organisations had resulted in more democracy in Glamox HE. The company now had a unit management board consisting of three persons, and the management was more dispersed than earlier and thus more democratic. He also said that the Norwegians had been fortunate since he was not trained as a Soviet manager. The Norwegian managers did not share the Estonians' views on Glamox HE's management style. Even though the Norwegians were generally pleased with the performance of the subsidiary and considered its working practices to be "Western" in many ways, they still described the local management style in Glamox HE as old-fashioned and influenced by the Soviet past. "*An organisation is like a reflected image of the society,*" as a Norwegian manager put it. "*There is still a tendency of domination of single individuals as it was in the Soviet Union. Flatter organisation forms and delegation of decision-making authority are still at an early stage of development there,*" he said. As individualists are assumed to respond less favourably to authoritarian leadership (Earley, 1998:13), the authoritarian management style contradict the argument of Estonians' relatively high degree of individualism, but match better if we consider the degree of individualism in Estonia to be lower in the early 1990s than today. Although the studies referred to above, indicate that an authoritarian management style has been,

---

<sup>5</sup> My emphasis



and still is widespread in Estonian organisations, Glamox HE seems to fit this image only partly. One explanation may be that, according to Glamox HE supervisory board member/chairman of Harju Elekter supervisory board, the management style in Glamox HE's Estonian parent company, Harju Elekter, had not been more authoritarian during the Soviet times than it is today. This either indicates that Glamox HE's parent company had a less authoritarian management style than usual in the Soviet Union, or that it has remained authoritarian up until today.

The decision-making processes in Glamox HE were centralised, as one would expect, taking the societal and cultural influences into consideration. A number of issues were decided on the top-management level, and decisions involving smaller sums of money were delegated to lower levels. Estonians took pride in making decisions faster than Norwegians. As the number of decision-makers was low, decisions could be made quicker. This was a crucial capacity in the fast changing Estonian society with a high degree of uncertainty. Comparing the decision-making culture in Glamox HE today and in Harju Elekter in the Soviet times, the chairman of HE supervisory board said that there had been no remarkable change.

Unlike Estonia, Norway and the other Nordic countries is dominated by a more informal management style and flatter organisation structure (Hill, 1994:135). Sørhaug (1994) has conducted a comparative study on differences between Norwegian and American management. He characterises Norwegian management culture as egalitarian and informal, and Norwegians as pragmatic, reserved, and fond of their individual autonomy. However, although the equality and flat organisational structure is one of the most common characteristics of organisations in the Nordic countries, this is not always the case. Sørhaug (1994:501) points out that hierarchies exist in Norway as in any other country but they are hardly visible for outsiders.

In Glamox in Norway, management practices and decision-making styles reflected the egalitarian societal culture. Nordic managers are known for making their decisions in closely-knit groups, and to be slow in making them (Hill, 1994:136). In Glamox in Norway, there appeared to be a variation connected to the restructuring process. Several Norwegians characterised their management style during the restructuring process as authoritarian, but noted that by the summer of 2001 when Glamox was completing the restructuring phase, it was changing back to "*normal*", i.e. more open and participatory. The authoritarian management style during the restructuring process in Norway and the generally more authoritarian management style in Estonia seem to have a joint co-factor, namely an uncertainty rate above average. The Norwegian way of doing business was also characterised as influenced by the American one, i.e. direct and action-oriented. The impression of the Estonians was that the Norwegians made decisions with great consideration and were slow in making them. The Norwegians noted that from being very centralised at the time of restructuring, they were now changing back to decentralised. Only one manager characterised the decision-making processes in Norway at the time (June of 2001) as centralised, but pointed out that the decision-making authority was delegated. Consequently, the "*normal*" way of management for Norwegians was a participatory management style and decentralised decision-making processes.

There were no major differences between Norwegian and Estonian expectations of a good manager. Estonian informants stressed social abilities like building up a system or a "*miniature society*", creating a good team, and harnessing people when describing a good manager. A manager had to have a certain understanding of what she was dealing with, but factual knowledge about the relevant field was not seen as the most important quality. It was also noted that she had to have a strong personality, be a good communicator, and be charismatic. One Estonian manager pointed out that

there existed a difference between older and younger managers in Estonia. According to him, older Estonian managers were technically more competent than the younger, but lacked the necessary knowledge about modern economy and management.

Sørhaug (1994:502) argues that formal education is an important qualification for a Norwegian manager. My empirical findings did not altogether confirm Sørhaug's assumption. A good manager, according to Norwegian standards, was a person with good communication skills, who were confident, open, honest, and motivated. The Norwegian Human Resource Manager emphasised a manager's ability to function in a team. Professional knowledge of the company operations was not considered the most important criteria. It was more important to be flexible, fit socially into the organisation, and function in the team.

## ***5.8 Teamwork and Meetings***

Recent research reveals that, generally, collectivists are more co-operative than individualists, and that individualists perform better alone than in groups. In a paper on "Fenno-Ugric Core Values?" Nurmi and Üksväre associate individualism and Finno-Ugric ethnic background with teamwork. They claim that Finns (according to Hofstede (1991), Finland is a country with a high individualism rate) are good at sports where they can fight all by themselves against the rest of the world, whereas the Finnish success in team sports has been much more modest. This is associated with the Finns' high individualism rate and the Finno-Ugric ethnic background (Nurmi & Üksväre 1994a: 4). Considering Estonians' high individualism rate, as revealed by recent studies (Realo & Allik, Vadi), on the one hand, and Finno-Ugric ethnic background, on the other hand, one would expect the practice of teamwork as a method to be moderate in Estonia. Regarding teamwork, my empiri-

cal findings revealed an important difference between Estonia and Norway, and confirm the theory of Nurmi & Üksvää. In Estonia teamwork was seen as a waste of time and was rarely used. The central working unit in Glamox HE was the individual worker and not the team. An Estonian manager who had spent longer periods in Glamox, Norway, had the impression that teamwork was much more widespread in Norway than in Estonia.

The individualism rate cannot serve as the only satisfying explanation, as Norway uses teamwork more than Estonia even though it is a country with a high individualism rate (69) (Hofstede 1991). But seen from the Norwegian perspective, teamwork was not considered a central working method. The central working unit in Norway also appeared to be the individual. Only one Norwegian informant disagreed, saying that the team was more central than the individual. Norwegians also told me that the period of restructuring had been very project-oriented, but today they were back to an organisation “...where most things were resolved in the line”. Even so, the Norwegian Human Resource Manager stressed being a good team-worker as an important criterion for getting a job in the company. All in all, it seemed that teamwork was not considered central either in Estonia or in Norway, but was still more widespread in Norway. The management literature about Norway confirms this assumption, as it is generally assumed that Norwegians prefer management through the group (Emery and Thorsrud in Sørhaug 1994: 508). In the summary of his article, Sørhaug comments on teamwork: “*In Norway, there is a special need to get reminded every now and then that a group's potential to create trouble is equal to the potential of single individuals*” (ibid: 518). This shows that the use of teams as a method is relatively widespread in Norway. The fact that the Norwegian state is governed through consensus-style politics also indicates that cooperation is ingrained in the Norwegian way of thinking.

The practice of meetings represented the most striking difference between Estonia and Norway, and all the Estonian Glamox HE managers addressed the issue of meetings. The Norwegians' extensive meeting practice was characterised by Estonians as a waste of time: "*To begin with, Norwegians come up with a project, then they put together a project group only to waste a lot of time on long discussions, and the final result might turn out worse than if the decision had been made immediately*". One Estonian manager told me that every time he called Norway, the people he needed to talk to were in a meeting. In Glamox HE there was just one meeting per week. "*Here, meetings are not an aim per se,*" as an Estonian manager put it, or in the words of another informant: "*...in Glamox HE we do not practice inventing problems just in order to have a lot of meetings.*" Meetings at working places in the Soviet time always included a lot of empty ideological talk, which may be one reason for the Estonian reluctance to this working practice. Alternatively, it can be explained by Estonians' reserved way of being (a core value according to Nurmi & Üksvääv 1994a), and people's carefulness when speaking in public. Nurmi and Üksvääv (1994a:3) argue that as a result of the Soviet ideological control, Estonians have learned to be silent in public. In part, this seems to be the case even today. One Estonian manager remarked that in seminars with representatives from abroad the Estonian silence is striking. When the speaker opens for questions, some nationalities eagerly ask questions and make comments, whereas Estonians remain quiet. Estonians said that teamwork and meetings could work in an Estonian context, but the "*...culture of meetings*" was still to be invented in Estonia. Estonians did not believe that teamwork and meetings used so frequently as in Norway would facilitate their work. "*An Estonian just resolves the problem,*" as one Estonian manager proudly said, indicating that the Estonian practice usually saved a lot of time. Another manager noticed that Estonians, who had studied in Western countries, desperately tried to introduce the teamwork practice in Estonia. This indicates that frequent meetings and teamwork are more widespread methods in the Western countries than in the former Eastern block.

## **5.9 Organisational Culture**

The managers I interviewed in Glamox' Molde factory had a clear vision of the organisation and of the traits that united the local employees. The Glamox employees in Molde were committed, worked extremely hard, and had no time for recreational activities. Regardless of the workload, the workers and the staff had a high degree of loyalty towards the company. In the Molde factory people were employed directly after finishing their studies. They stayed in Glamox for a long time, and eventually quit in order to try another job. The surprising thing about Molde was that several of the former employees returned to Glamox after a short period in another company. One manager, working in Molde, explained that the ownership traditionally had been in Molde, and that in Oslo, being a big town; one could not expect the same degree of involvement. A manager in the Glamox Oslo office agreed, and said that the degree of involvement was probably higher in Molde, although they worked hard in Oslo as well: *"After all, it originates from Molde. The walls are full of history, which can be positive as well as negative"*. He also stressed that Molde had no traditions as an industrial town, and working in the industry did not have a high status. People did not return to Glamox because of its economic success, the 1990s had been economically strenuous for the group. My informants also pointed out that the salaries were the same level as other similar workplaces, and during some periods the salaries were even lower. One Norwegian manager believed that people returned to Glamox because of the company's organisational culture. Several informants told me that the collegueship was good, even though the working milieu was characterised by internal competition. The workers laughed a lot at work and had developed their own jargon. Social arrangements, such as the Christmas and summer parties were always very popular. One manager said that there were important differences in terms of organisational culture between Molde and

other units in the Glamox group. According to him, this was the case even with Molde and Oslo. One Estonian manager noticed that people in the Glamox Molde unit were more reserved than in the Oslo unit. Several Estonians also noticed that in Glamox in Norway, it was common to work late hours.

The Estonian subsidiary seemed to have inherited the ‘spirit of its parent company’. All the managers I interviewed were committed to their work. The employees in Glamox HE worked hard, even though they did not agree with the necessity of frequent late hour work. The employees were loyal to the company and only a couple of white-collars and approximately ten blue-collars had left the company since its establishment in 1993. Estonians stressed personal achievement when they valued the importance of personal or firm achievement among Glamox HE employees. This emphasis reflects the Estonians’ high degree of individualism. Earlier, when it was difficult to measure individual results, team or firm achievement had dominated, and according to one Estonian manager, more attention should be paid to collective achievements in the future. Personal achievement was also dominant in the Norwegian Glamox company.<sup>6</sup>

Social distances in Estonia were more noticeable than in Norway, and Estonians practiced a higher degree of formality than the Norwegians. Both Estonians and Norwegians found that the Norwegian way of doing business was generally more informal than the Estonian one. *“In Germany, you will have to know a person for years before you can address her by first name. In Scandinavia, you can do that from the very first day,”* a Norwegian manager told me. Using first names at work can be viewed as a sign of an egalitarian way of thinking and a low power distance index in Norway.

---

<sup>6</sup>It should be distinguished between sales and production departments, in terms of individual and collective achievement. My intention is to map the variation on the management level.

The following statement by a manager confirmed this assumption: "*We find it positive that everybody is equal and has a possibility to talk to everybody*". According to another Norwegian manager, the tone among the Glamox HE employees was formal and managers had formal relationships with their subordinates. But he still considered Estonians to be more informal than the Germans. In contrast, one Estonian manager saw Norwegians as more formal in their relationships to each other than Estonians. Because of the formality of Norwegians, the essence of a conflict was not always evident, and internal conflicts came fore less prominently than in Estonia. It seems appropriate to draw a parallel to the case where a Norwegian manager was astonished by an Estonian top manager's way of resolving an internal conflict. According to him, the aspect of formality had been left out, and the conflict was resolved on the personal level. The example reveals that in certain situations, Estonians behave more informally than the Norwegians. He also pointed out that although the Norwegian management style was generally informal, it also had some formal aspects.

### ***5.10 Transfer of Technology and Knowledge***

By making a direct investment in Estonia, the Norwegians took the risk of experiencing a culture collision between the East and the West. Management control in the Eastern block countries under the Communist rule was normally not located in the firm itself, but in the industrial holding company and in the relevant branch Ministry above it (Todeva 1997:7). Therefore, one's career was not viewed as the result of individual achievement but meant '*being moved ahead*' by someone's mighty hand, depending on one's obedience to official ideology and personal loyalty to the manager (Lauristin et al.1997: 38). As most decisions were dictated from above, the system resulted in a high degree of bureaucracy, and a lack of independence and sense of responsibility of the workforce. With Estonia's independence, the way of running organisations as well as an employee's re-



sponsibility for her job, changed abruptly. In her Master Thesis on cross-cultural co-operation between Estonian and Norwegian business people in Tallinn, Kari Helene Partapuoli (1998:91) notes the change of Estonians' sense of personal responsibility at the working place after independence. She describes a case where an Estonian admits that compared to the Soviet period his responsibility towards the working place has grown. Considering these aspects of the daily working habitus (Bourdieu 1977) in the Soviet Union, one would expect some tensions to appear in a co-operation situation between an ex-Soviet country and a capitalist country such as Norway. But quite unexpectedly, the transfer of technology and knowledge from Glamox to their Estonian subsidiary went smoothly from the very beginning, and Glamox HE employees were characterised by the Norwegians as more than able to manage their work on their own. In terms of knowledge and technology transfer, there has lately been a breakthrough in Glamox HE. Up until the summer of 2001, the Glamox HE profile consisted of products with high labour costs, which were unprofitable to automate and usually at the end of their product life cycle. In the summer of 2001, the Glamox HE factory in Estonia expanded, and as one Norwegian manager put it: *"For the very first time, something of the Molde factory's core competence was transferred to Estonia, and new products were tried out in Estonia for sale on all the Glamox' markets."*

To understand the immediate success of the collaboration, it is useful to consider some specific features of the Estonian parent company, as well as of Estonia in general. One explanation of the smooth co-operation may be Harju Elekter's (Glamox HE's Estonian parent company) background as a so-called co-operative company<sup>7</sup>, meaning that it was not directly governed by the state. Harju Elekter's relative independence may explain Glamox HE's smooth adaptation to Western style

---

<sup>7</sup>'Co-operative' or 'kooperatiiv' in Estonian was the name of a certain type of companies in Soviet Estonia that were not directly governed by the state, and included some elements of capitalism.

business and economy. The retired Glamox CEO offered this explanation. The chairman of Harju Elekter' supervisory board, shared his point of view, and pointed out that Harju Elekter had successfully crossed over to capitalism, and that it was one of the few Estonian companies that had managed to do so without downsizing. This indicates that Harju Elekter was familiar with capitalism even before the collapse of the Soviet Union. The process of drawing up contracts with Harju Elekter was less bureaucratic than the Norwegians had expected from an earlier Soviet republic, and shows that the Estonians had a sense of Western business practices. The Estonian operations were generated from the Glamox subsidiary in Finland in the initial stages, and is another reason for the successful co-operation. The Glamox headquarters in Norway was hardly ever involved in activities in Estonia during the first years of collaboration. According to the Norwegians, the equipment transferred to Estonia in the beginning had been old-fashioned and not appropriate for production for Western markets. The machines were easy to use and non-automated, but even these unsophisticated machines represented a huge improvement compared to the machines Harju Elekter possessed from before. The risk factor of the investment in terms of technology transfer was thus relatively low. A couple of years prior to the establishment of the Estonian subsidiary, Glamox had invested in a large state-owned factory in Poland. The Polish collaboration was extremely unsuccessful, as the local workers were unable to use the automated but still old-fashioned machines transferred by Glamox. The product lines transferred to Estonia had previously been tried out both in Norway and in Finland, and Estonia was thus the third country to produce the particular products. Nothing was taken for granted by Glamox in the beginning, and the transfer of knowledge and technology was carried out step-by-step. Contrary to the Norwegians' expectations, the learning process in Estonia went smoothly as workers quickly learned to use the new machinery. One Norwegian manager described the situation as follows: *"You could see that they were interested in*

*learning, and their attitude to what was introduced to them, was very positive. They really had the drive”.*

Some general aspects about recent Estonian history may also provide some answers as to why the collaboration turned out to be so successful. Even though the Norwegians in various ways noted the impact of Communist rule in Estonia, the Estonia's high level of education, long traditions in the field of technology, and Western values seem to have played a crucial role. Estonians continued to identify themselves with Western culture during the Soviet occupation, and after independence Estonians wanted to make up for lost time. They had to learn modern business practices, Western bookkeeping, marketing strategies, languages etc. in order to compete on the global market, and they were eager to learn. Estonians had poor foreign language skills, as Russian was the most important foreign language in Soviet Estonia. But because of Finnish TV, many people had a good command of Finnish. To begin with, technology and knowledge were transferred from Finland, and Estonians were sent to the Finnish factory to learn the work. The English language skills among the Estonians improved quickly, but in the initial stages of the co-operation the Estonians' English language skills were limited. The retired CEO pointed out that: *"Since Estonian and Finnish are very close, the communication was a lot easier between Finns and Estonians than it would have been between Norwegians and Estonians"*. Finnish can thus be said to have played a strategic role as it actually made communication between the Glamox Group and the Estonians possible. In addition to the language kinship, the opinion of the Norwegian manager may refer to another aspect of communication, namely implicit shared norms and values. As we have seen above, several Estonian informants considered collaboration with Finland to be easier than with any other nation, due to the language kinship and a similar mindset.

One Norwegian manager explained the smooth collaboration as follows: *"Introducing new working routines and procedures in Denmark, Sweden, and Norway would be a hard job. In Estonia, it turned out to be no problem at all: they had no routines from before and had to start from scratch."* Working practices and production processes in a Soviet-time factory or working place were often bureaucratic and slow, and the Norwegians therefore viewed no-routines as better than "Soviet-routines". For Estonians, it was a relief to forget the old Soviet routines they had never wanted to identify themselves with in the first place, and several Estonians used the words 'normal' and 'natural' to explain their feelings about the co-operation. *"I found my right environment,"* as one Estonian manager described the transition from communism to capitalism. A Glamox HE manager, who was an economist from a Tallinn university, said that the way things were explained to him in Glamox made much more sense than the way things had been explained in the university. The manager had been educated in the beginning of the transition period, but as the professors had to learn Western economics and business themselves, the university was unable to offer a satisfactory business education.

### **5.11 Problems and Points of Friction**

The Estonians had learned a lot about doing business from their Norwegian partners, and this had partly shaped their understanding of business practices. Maybe because of this, disagreements about business practices with Norwegians were rare. The Norwegians confirmed the assumption of relative similarity in norms and values, but pointed out that there existed an obvious difference between younger and older Estonians. The older people were more influenced by Estonia's Soviet past. In part, the collective identity, which was one of the foundations of the Soviet Union, still seemed to influence Estonians. One Norwegian manager was slightly worried about the flock men-

tality in Glamox HE's sales and marketing department. Introducing an individual budget had been unsuccessful. He considered this mentality to be a remains of the Soviet times where "... *everything was to be done in herds*". Likewise, the Soviet mentality applied to the Estonian transporters used by Glamox who were characterised by the Norwegians as "... *dominated by another culture*". They were cheap but not reliable. As one Norwegian manager put it: "*When we order them to deliver some goods to a certain place on Monday, they think it is sufficient to deliver them next week*".

Both the Norwegians and the Estonians agreed that there had been no major contradictions between Glamox HE and the headquarters. The Estonians appreciated the Norwegian respect for the Estonian culture, but were overall more critical of the Norwegian-Estonian relationship than the Norwegians. This may be due to the significant pressures from the headquarters, and the fact that the Estonians had to obey orders from foreigners in their home country. One Estonian pointed out that Norwegians were self-conscious, and often resolved problems from the Norwegian point-of-view, not considering a second opinion. Another Estonian manager mentioned that they did not always agree about the decisions made by the Glamox' management. Maybe surprisingly, some Estonians characterised the Glamox headquarter management style as "*Moscow style*". This can hardly be interpreted as a compliment, especially coming from someone living in a former Soviet republic. One of the Estonian managers based this argument on the headquarters' distrust towards the Estonian management: "*They take away the whole profit, and then give a small sum of money back, suggesting that now you can invest in what you want*". The comparison of a management style *à la* Moscow in Norway indicates a power centralisation in Glamox' home country, and indirectly, the Estonians' discontent with it.

Both parties viewed the collaboration between Norwegians and Estonians as relatively easy. Only one Estonian manager felt that Glamox HE was not the easiest cooperation situation, when he compared his partnership experiences with other nationalities. Several of my informants actually had difficulties identifying the most problematic part of the collaboration. Nevertheless, there seemed to be a range of minor disagreements. The slowness of making decisions, long-lasting meetings, pressure in terms of economic indices, and the issue of distrust were singled out as the most problematic issues by the Estonians. The Norwegians pointed out the instability of the Estonian market as one of the difficulties for Glamox to come to terms with. Estonia's high crime rate had seemed problematic for Norwegians in the beginning but had not caused any difficulties.

## **CHAPTER 6 – CONCLUSIONS**

The assumption that the national and cultural background of managers shape their norms and values, and consequently, the management practices and working methods in firms is the point of departure for this thesis. The first subsection of my research goal refers to the identification and explanation of differences in management practices and working methods in firms in Norway and Estonia through an analysis of cultural and national factors. An analysis of historical, societal, and cultural factors in Norway and Estonia helps explain Norwegian and Estonian management practices and working methods. The empirical findings reveal differences between Estonian and Norwegian management practices, as well as between working methods, as one would expect considering the macro-level influences. Thus, the empirical findings support Hofstede's theory that an individual's behaviour is connected to and affected by the surrounding society. But Norwegians and Estonians also share similar working practices and attitudes. The similarities can also be explained through an analysis of macro-level factors. Estonia has inherited an authoritarian management style

from the Soviet times, and, simultaneously, experiences a considerable degree of uncertainty in the society as a result of the recent transition period. As may have been expected, the management style in the Estonian subunit is more authoritarian than in Norway. In the Norwegian Glamox' headquarters, the local management style varied according to the situation in the company. During the process of restructuring, which contained a notable degree of uncertainty, the management was more authoritarian than in regular working periods. Thus, both the Estonian and the Norwegian management style in the Glamox case shared the feature of authoritarianism.

Neither Norway nor Estonia seem to represent purely individualist societies, but can be described as individualist cultures with some collectivist traits. This observation supports the assumption made by Triandis (1994) and Earley (1998) that individualism and collectivism co-operate in all societies. Despite the high individualism rate in Norway, there is a tradition of making decisions through teamwork and consensus, whereas the self-oriented Estonians value quick decisions as a result of the authoritarian Soviet management tradition and the rapidly changing society. The Estonian collective way of thinking became apparent to the Norwegians in the case of the collective budget in the sales and marketing department of the Estonian subsidiary. This confirms the theory of Realo & Allik (1999) that whereas collectivist in one specific situation, people may be less collectivist in regard to some other social target. The fact that the Estonians did not practice co-operative behaviour in form of teamwork and meetings as frequently as the Norwegians can also be explained by their Finno-Ugric ethnic origin (Nurmi & Üksväärv 1994), and finally, the fact that team-building has not been an integrated part of the Estonian business culture, which, until lately, was more or less unaffected by the West. As the Norwegians did not intend to transfer their managerial practices to Estonia, the case does not altogether support the assumption made by Rosenzweig and Singh (in Root et al. 1992) that industrial globalisation produces a convergence of

management practices and working methods.

Regarding formality in business affairs, Norwegians proved to be more informal than Estonians. An informal organisational culture is an indicator of egalitarianism, and reflects the low power distance index in Norway. The Estonian formality may be viewed in the context of the German cultural impact on Estonians (Pajupuu 1999). However, the way of resolving conflicts at the working place revealed that in certain situations Estonians behave more informally than Norwegians. Michael Polanyi (in Lam 1998) has suggested that “...*we can know more than we can tell*”, referring to how implicit norms and values represent tacit knowledge, and consequently, are difficult to share. Based on the assumption of tacitness of knowledge, the Estonian informality may be linked to the fact that Estonians have not yet adopted the implicit and context-bound Western rules of doing business, which are taken for granted by the Norwegians. The Estonian organisation seemed to be more hierarchical than the Norwegian, social distances more noticeable, and decision-making more centralised than in Norway. To some extent, these practices are remains of Soviet business culture. Being a result of a comparison between Norway and Estonia, the findings do not necessarily reveal a high PDI in Estonia in general, but just with regard to Norway.

The second subsection of the research goal refers to the explanation of points of friction or ease in the Estonian-Norwegian collaboration in the Glamox Group. Despite the differences between the cultural and national backgrounds of Norway and Estonia, the collaboration is successful. This confirms Hofstede's theory that a cultural approach to MNEs, where the headquarters' management style and working methods are adapted to the host country culture, has positive results. As suggested by Rosenzweig and Singh (in Root et al. 1992), parent countries with a low rate of uncertainty avoidance tend to respect organisational differences within a MNE; and the similarity be-



tween headquarters and the subsidiary is linked to the presence of parent country expatriates in the subsidiary. Estonians did not face pressures with regard to management style or working methods, maybe as a result of the Norwegians' high uncertainty tolerance and the absence of parent country expatriates in Glamox HE. Nevertheless, Glamox HE's performance was characterised as good, and sometimes excellent by the Norwegian managers. Additionally, a possible culture conflict was avoided.

The Norwegian-Estonian collaboration has profited from the Estonians' individualism. In individualist societies, competition is more favoured than in collectivist societies. After independence, Estonia has been ruled by liberal governments, and consequently, enjoys a high degree of social inequality and insecurity. As a result, there is more competition of well-paid jobs in Western companies in Estonia than in the socially secure and egalitarian Norway. Consequently, the Glamox subsidiary in Estonia has attracted people with high education. Due to the generation gap in Estonia as a result of the transition period, Glamox HE's Estonian mother company only employs fresh university graduates who are "unspoiled" by the Soviet mentality, and have good English language skills and knowledge of computer technology. As this recruitment strategy was implemented by the Estonian parent company some years before the establishment of Glamox HE, it has indirectly shaped the workforce of the latter. The recruitment practice reflects the heterogeneity of the Estonian society at the time of my fieldwork.

Even though collective achievement dominated in Soviet companies, and an individual's career depended largely on her loyalty to the Communist Party, Estonians in the Glamox subsidiary were highly independent, responsible, and committed to their work. As pointed out by Nurmi & Üksväära (1994) and Lauristin (in Lauristin et al. 1997), Estonia's historical background and the rela-

tive openness to influences from the West during the Soviet times have shaped the mentality of Estonians. Due to the access to Finnish television, Estonians had good Finnish language skills, and were influenced by Western culture even during the Soviet times. The fact that the Glamox HE's Estonian parent company was not directly governed by the Soviet State should also be included in the explanation of the Estonian independence. According to the Norwegians, these factors contributed to the successful collaboration. Glamox HE's location in Northern Estonia where "westernisation" has come further than in the south also played a role.

Managers' norms and values are shaped by their national and cultural backgrounds, and consequently, differences in management practices and working methods between countries prevail. But even though there are major differences between the cultural, historical, and political factors in parent and host countries in MNEs, it does not necessarily obstruct successful collaboration. Accepting differences in terms of management practices and working methods within a MNE as a result of the employees' cultural and national backgrounds, has positive effects on cross-national cooperation.

## BIBLIOGRAPHY

- Buckley, P.J. & Ghauri, P.N. (1999): *The Internalisation of the Firm*, London: International Thomson Business Press
- Bourdieu, P. (1977): *Outline of a Theory of Practice*, Cambridge: Cambridge University Press
- *City Paper*: "Baltic Economic Indicators": [http://www.balticsww.com/economic\\_stats.htm](http://www.balticsww.com/economic_stats.htm) (07.12.2001)
- Dun & Bradsreer: <http://www.dbsverige.se/sa/arkiv2.html> (1.03.2002)
- Earley, P. C. (1998): Making Stock in Our Progress on Individualism-Collectivism: 100 Years of Solidarity and Community, in *Journal of Management*, May-June 1998: [http://www.findarticles.com/cf\\_0/m4256/n3\\_v24/21119273/print.jhtml](http://www.findarticles.com/cf_0/m4256/n3_v24/21119273/print.jhtml) (05.11.2001)
- Eesti Entsüklopeediakirjastus (2001): *Väike Entsüklopeedia 2002*, Tallinn: Eesti Entsüklopeediakirjastus
- Eesti Statistikaamet (Estonian Office for Statistics): <http://www.stat.ee> (6.02.2002)
- Estonia's Official State Web Centre: <http://www.riik.ee/pipermail/minipress/2000-October/001850.html> (03.04.2001)
- Human Development Report of Estonia 2000 (2001): <http://www.undp.ee/nhdr00/3.3html> (7.02.2002)

- Glamox (2000): Glamox Annual Report 2000, Glamox
- Hill, R. (1994): *EuroManagers and Martians*, Brussels, Europublications
- Hylland Eriksen, T. (1996a): "Norwegians and nature":  
<http://odin.dep.no/odin/engelsk/norway/history/032005-990490/index-dok000-b-n-a.html>  
(27.04.2002)
- Hylland Eriksen, T. (1996b): "Globalisation and Norwegian identity":  
<http://odin.dep.no/odin/engelsk/norway/history/032005-990471/index-dok000-b-n-a.html>  
(27.04.2002)
- Lam, A. (1998): The Social Embeddedness of Knowledge: Problems of Knowledge Sharing and Organisational Learning in International High-Technology Ventures. Working Paper of Danish Research Unit for Industrial Dynamics No. 98-7
- Lauristin, M & Vihalemm, P. with Rosengren. K.E. & Weibull. L. (ed.) (1997). *Return to the Western World. Cultural and Political Perspectives on the Estonian Post-Communist Transition*, Tartu: Tartu University Press
- Lundvall, B.-Å. (ed.) (1992): *National Systems of Innovation: Towards a Theory of Innovation and Interactive Learning*. London: Pinter Publishers
- Veidemann, R. (2001): Viivi Luik: rahu ja õnn tõusevad meist endist", in daily *Postimees*, 31.12.2001
- Nonaka, I. & Takeuchi, H. (1995): *The Knowledge Creating Company*, New York: Oxford University Press
- Nurmi, R. & Üksvärav, R. (1994a): Fenno-Ugric Core Values? The Case of Estonia and Finland, in papers of "The Workshop on Cross-Cultural Perspectives: Comparative Management & Organisation, European Institute for Advanced Studies in Management, Nov. 11-13, 1999, Henley Management College, UK
- Nurmi, R. & Üksvärav, R. (1994b): *Estonia and Finland: Culture and Management, a Conjectural Presentation*, Publications of the Turku School of Economics and Business Administration
- Nærings- og Handelsdepartementet:  
<http://odin.dep.no/nhd/engelsk/publ/brochures/024001/index-dok000-b-n-a.html>  
(13.02.2002)
- OECD, (1999): <http://www1.oecd.org/sge/ccnm/pubs/estinvest/est> 13-16 html  
(16.01.2002)
- Partapuoli, K.H. (1998): *A Place of Globalisation. Cross-Cultural Cooperation Between Es-*

*tonian and Norwegian Business People in Tallinn*, University of Tromsø.

- Pajupuu, H. (1999): Kultuur ja kommunikatsioon:  
<http://www.eki.teemad/kultuur/dimens/dist.html> (03.12.01)
- Realo, A. & Allik, J. (1996): The Hierarchical Nature of Individualism-Collectivism: Comments on Matsumoto et al., in *Culture and Psychology*, 1996, Vol. 2, pp. 109-117
- Realo, A. & Allik, J. (1999): A Cross-Cultural Study of Collectivism: A Comparison of American, Estonian, and Russian Students, in *The Journal of Social Psychology*, 1999, 139(2), pp.133-142
- Root, F.R. & Visudtibhan, K. (1992): *International Strategic Management. Challenges and Opportunities*, Taylor & Francis Inc.
- Russwurm, S. (2001): Norwegian economic development:  
<http://odin.dep.no/odin/engelsk/norway/economy/032091-120029/index-dok000-b-n-a.html>
- Sørhaug, T. (1994): "Ideer om ledelse i Norge: Doktriner, makt og praksis", in *Tidsskrift for Samfunnsforskning*, Universitetsforlaget, no (4) pp. 489-523
- Sweeney, E.P. & Hardaker, G. (1994): The Importance of Organizational and National Culture, in *European Business Review*, Vol. 94 No.5, 1994, pp.3-14
- Tiigrihüpe: [http://www.tiigrihype.ee/eng/tiiger\\_pluss/strateegia.html](http://www.tiigrihype.ee/eng/tiiger_pluss/strateegia.html) (7.02.2002)
- Triandis, H.C. (1994): *Culture and Social Behaviour*, McGraw-Hill, Inc., New York: McGraw-Hill
- Todeva, E. (1997): Network Strategies in Eastern Europe and the Transformation of Hierarchies. *Paper presented in British Academy of Management Annual Conference, London, 8 - 10 Sept. 1997*
- United Nations Conference on Trade and Development (2001): *World Investment Report 2001*: <http://www.unctad.org/en/docs/wir00ove.en.pdf> (14.01.2002)
- Vadi, M. (2000): *Organisatsioonikultuur ja väärtused ning nendevahelised seosed (Eesti näitel)*, Tartu: Tartu Ülikooli Kirjastus.
- Vadi, M. (2001): *Organisatsioonikäitumine*, Tartu: Tartu Ülikooli Kirjastus.
- Westney, D. E. (1993): "Ch. 3: Institutionalization Theory and the Multinational Corporation", in (Eds.) Ghoshal, Sumantra & Westney, D. Eleanor *Organization Theory and the Multinational Corporation*, St. Martins Press pp. 53 - 76